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**FUELED BY WEALTH, FUNNELED BY POLITICS: THE
DOMINANCE OF DOMESTIC DRIVERS OF ARMS
PROCUREMENT IN SOUTHEAST ASIA**

by

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December 2015

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ABSTRACT

What drives economically buoyant Southeast Asian nations, enjoying post–Cold War peace, to procure arms in a manner that has observers concerned about a regional arms race? Are these acquisitions driven by threats from within the region or from potential hegemons like China? Alternatively, are the purchases actually driven by domestic factors? This thesis investigates the following four factors to determine which are most powerful in driving arms procurements in Malaysia, Indonesia, and Singapore: availability of resources, domestic politics, external threats, and force modernization.

By comparing these three countries, selected for their track record of being the largest defense spenders in Southeast Asia, this research finds that domestic factors (the availability of resources and domestic politics) were the strongest drivers. Consequently, the paucity of externally triggered instances of arms procurements undermines existing assertions of a regional arms race. As such, using Buzan and Herring’s arms dynamics model, the situation among the three countries is best characterized as being “arms maintenance,” with occasional excursions to “arms competitions” for prestige reasons. Looking toward the future, the worrying trajectories of domestic politics in these countries could supply the conditions that could incite more frequent excursions toward competitive arms dynamics.

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	MAJOR RESEARCH QUESTION AND MAIN FINDINGS	1
B.	SIGNIFICANCE OF THE RESEARCH QUESTION.....	2
C.	LITERATURE REVIEW	3
1.	Southeast Asian Arms Acquisition Trends.....	3
a.	<i>Pre-EAFC Trends</i>	3
b.	<i>Post-EAFC Trends</i>.....	5
2.	Survey of Reasons Driving Southeast Asian Arms Procurement	6
a.	<i>Resource Availability</i>	6
b.	<i>Domestic Politics</i>	8
c.	<i>External Threat</i>.....	11
d.	<i>Force Modernization</i>.....	14
3.	Implications of the Southeast Asian Arms Procurement Trends	15
a.	<i>Was There an Arms Race in Southeast Asia?</i>	15
b.	<i>The Arms Dynamic Model</i>.....	18
D.	POTENTIAL EXPLANATIONS AND HYPOTHESES	19
E.	RESEARCH DESIGN	20
F.	THESIS OVERVIEW AND CHAPTER OUTLINE.....	21
 II.	 MALAYSIA.....	 23
A.	REVIEW OF ARMS PROCUREMENT.....	23
B.	RESOURCE AVAILABILITY.....	25
C.	DOMESTIC POLITICS.....	28
D.	EXTERNAL THREATS	33
1.	Intra-Regional Threats.....	33
2.	Extra-Regional Threats	35
E.	FORCE MODERNIZATION	39
F.	SUMMARY	40
 III.	 INDONESIA	 43
A.	REVIEW OF ARMS PROCUREMENT.....	43
B.	RESOURCE AVAILABILITY.....	46
C.	DOMESTIC POLITICS.....	50
D.	EXTERNAL THREATS	55
1.	Intra-Regional Threats.....	55

2.	Extra-Regional Threats	57
E.	FORCE MODERNIZATION	62
F.	SUMMARY	65
IV.	SINGAPORE	67
A.	REVIEW OF ARMS PROCUREMENT	67
B.	RESOURCE AVAILABILITY	69
C.	DOMESTIC POLITICS	73
D.	EXTERNAL THREATS	77
1.	Intra-Regional Threats	77
2.	Extra-Regional Threats	80
E.	FORCE MODERNIZATION	83
F.	SUMMARY	85
V.	CONCLUSION	87
A.	ADDRESSING THE HYPOTHESES AND THE RESEARCH QUESTION	87
1.	Resource Availability	87
2.	Domestic Politics	89
3.	External Threats	90
4.	Force Modernization	91
5.	Addressing the Research Question	93
B.	ARMS DYNAMIC CHARACTERIZATION	93
C.	REGIONAL SECURITY IMPLICATIONS	96
1.	Optimism for Continued Regional Stability	96
2.	Concern over Excursions toward Arms Competition	97
	LIST OF REFERENCES	101
	INITIAL DISTRIBUTION LIST	113

LIST OF FIGURES

Figure 1.	Depiction of Continuum of Arms Dynamic.....	18
Figure 2.	Malaysia: Main Arms Procurements since 2000	24
Figure 3.	Malaysia: GDP and Military Expenditure Post-EAFC	26
Figure 4.	Malaysia: Military Expenditure as a Share of GDP and National Budget	27
Figure 5.	Indonesia: Main Arms Procurements since 2000	44
Figure 6.	Indonesia: GDP and Military Expenditure Post-EAFC	46
Figure 7.	Indonesia: Military Expenditure as a Share of GDP and National Budget	48
Figure 8.	Singapore: Main Arms Procurements since 2000.....	68
Figure 9.	Singapore: GDP and Military Expenditure Post-EAFC	71
Figure 10.	Singapore: Military Expenditure as a Share of GDP and National Budget	72
Figure 11.	Characterization of Southeast Asian Arms Dynamic.	94

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LIST OF ACRONYMS AND ABBREVIATIONS

ADIZ	Air Defense Identification Zone
ADMM	ASEAN Defense Ministers' Meeting
AEW	Airborne Early Warning
AFV	Armored Fighting Vehicle
APC	Armored Personnel Carrier
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BN	<i>Barisan Nasional</i> (National Front)
BVRAAM	Beyond Visual Range Air to Air Missile
DM	Defense Minister
EAFC	East Asian Financial Crisis
EEZ	Exclusive Economic Zone
FDI	Foreign Direct Investment
GBAD	Ground Based Air Defense
GDP	Gross Domestic Product
GNP	Gross National Product
HADR	Humanitarian Assistance and Disaster Relief
HIMARS	High Mobility Artillery Rocket System
ICJ	International Court of Justice
IFV	Infantry Fighting Vehicle
IISS	International Institute for Strategic Studies
IMF	International Monetary Fund
JDAM	Joint Direct Attack Munition
JSF	Joint Strike Fighter
LCS	Littoral Combat Ship
LMV	Littoral Mission Vessel
LPD	Landing Platform Deck
MAF	Malaysian Armed Forces
MANPADS	Man-portable Air Defense System
MBT	Main Battle Tank

MEF	Minimum Essential Force
MINDEF	Ministry of Defense (Singapore)
MLRS	Multiple Launch Rocket System
MMEA	Malaysian Maritime Enforcement Agency
MOD	Ministry of Defense (Malaysia)
MPA	Maritime Patrol Aircraft
MRCA	Multi-Role Combat Aircraft
MRS	Multiple Rocket System
MSC	Missile Surface Corvettes
MYR	Malaysian Ringgit
NGPV	New Generation Patrol Vessel
O&M	Operations and Maintenance
PKI	<i>Partai Komunis Indonesia</i> (Communist Party of Indonesia)
PM	Prime Minister
PMO	Prime Minister's Office
RAAF	Royal Australian Air Force
RSAF	Republic of Singapore Air Force
RSN	Republic of Singapore Navy
SAF	Singapore Armed Forces
SAM	Surface to Air Missile
SCS	South China Sea
SGPV-LCS	Second Generation Patrol Vessels—Littoral Combat Ships
SIPRI	Stockholm International Peace Research Institute
SRAAM	Short Range Air to Air Missile
SSM	Surface to Surface Missile
TDM	Tentera Darat Malaysia
TLDM	Tentera Laut Diraja Malaysia
TNI	Tentera Nasional Indonesia (Indonesian Armed Forces)
TUDM	Tentera Udara Diraja Malaysia
UAV	Unmanned Aerial Vehicle
UNCLOS	United Nations Convention on the Law of the Sea
USAF	United States Air Force

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I. INTRODUCTION

Headlines about increased Asian military spending tend to highlight the spending sprees of China and India, but observers have also acknowledged this phenomenon in Southeast Asia. In 2012, *The Economist* noted that Southeast Asian governments had increased military spending by 13.5 percent compared to the previous year.¹ This increased expenditure reflected a long-term trend that the International Institute of Strategic Studies (IISS) reported about in 2015, with Southeast Asian countries “[leading] Asian defense-spending growth since 2010, averaging 5.1 percent over the period.”² Such increased expenditures stand in stark contrast against the relative peace, rising prosperity, and increased security cooperation amongst Southeast Asian countries during the past 40 years. Indeed, apart from the East Timor Crisis and Vietnam’s invasion of Cambodia, the Vietnam War that ended in 1975 was the last major conflict in the region. The period since has thus been marked more by security cooperation than conflict.³

A. MAJOR RESEARCH QUESTION AND MAIN FINDINGS

The juxtaposition of increased military spending and peaceful conditions has caused some observers to ask whether the region is engaged in an arms race. Alternatively, are the countries responding to the rise of a potential regional hegemon in China, or are the individual states simply embarking on arms build-ups independently? To characterize this phenomenon, the research question for this thesis is, “What are the underlying reasons driving arms procurement in Southeast Asian countries?” This thesis examines the arms acquisition efforts of Malaysia, Indonesia, and Singapore to discern what factors best explain these procurement efforts, before adopting a regional lens to consider the security implications of these acquisitions.

¹ “Shopping Spree: Military Spending in Southeast Asia,” *The Economist*, March 24, 2012, 40, <http://www.economist.com/node/21551056>.

² “Chapter Six: Asia,” *The Military Balance* 115, no. 1 (February 10, 2015), 210.

³ The ASEAN Regional Forum (ARF) and ASEAN Defense Ministers’ Meeting (ADMM) were formed in 1994 and 2006 respectively to anchor security cooperation in Southeast Asia.

This research finds that domestic factors—specifically the availability of resources and domestic politics—were the strongest drivers for arms procurement in the countries studied. Consequently, the paucity of externally-triggered instances of arms procurements undermines existing assertions of a regional arms race, leaving the arms dynamics best characterized as “maintenance” of the status quo, with occasional excursions to “arms competitions” for prestige reasons.⁴ Going forward, while there is cause for optimism for regional security, the worrying trajectories of domestic politics supply the conditions that could incite more frequent excursions towards competitive arms dynamics.

B. SIGNIFICANCE OF THE RESEARCH QUESTION

The research question is significant for two main reasons. First, it enhances understanding of the prospects for security in Southeast Asia. Second, it contributes to the academic conceptualization of Southeast Asian militarization, as the recent wave of arms purchases has not been studied in as much detail as earlier trends in procurement.

The first point of significance centers on the implications of Southeast Asian countries’ arms purchases for regional security. On the one hand, the procurement of arms for military modernization is consistent with the paths of developed countries, and the presence of professional militaries amongst countries might build confidence and be stabilizing when the forces are oriented for regional security. On the other hand, countries might also be threatened by the procurement of arms by other states and could be reacting with arms build-ups of their own, exemplifying Jervis’ “Security Dilemma.”⁵ Such iterations of responsive arming could lead to an arms race, depending on the intensity of the procurement activity. Regional security could thus be threatened with the presence of greater military power that could be brought to bear if any disputes that erupt.

This thesis also seeks to update the study of Southeast Asian arms build-ups that have been observed since the 1990s. As the literature review shows, most scholars of

⁴ The concepts of “maintenance” and “arms competition” are derived from the arms dynamic model, which will be introduced in Section C of this Introduction. Barry Buzan and Eric Herring, *The Arms Dynamic in World Politics* (Boulder, CO: Lynne Rienner, 1998), 80–81.

⁵ Robert Jervis, “Cooperation under the Security Dilemma,” *World Politics* 30, no. 2 (1978): 211.

Southeast Asian arms build-ups have focused on the 1990s—the first time such a dynamic was observed—with fewer investigating the wave of arms build-ups which began in the early 2000s. The difference in the level of attention is perplexing, considering the greater lethal capabilities that have been introduced in recent years. As such, this research is intended to provide an updated perspective on the reasons for the latest round of arms build-ups in Southeast Asia.

C. LITERATURE REVIEW

This literature review is organized into three sections: a description of Southeast Asian arms acquisitions trends, possible explanations for these acquisitions, and the implications of these trends. First, it describes the two eras of Southeast Asian arms acquisitions before and after the 1997 East Asian Financial Crisis (EAFC). Second, it surveys possible reasons for these arms build-ups, with four main reasons analyzed in this thesis. Third, the review introduces the ‘arms dynamic’ framework as a means to study the arms procurement patterns described.

1. Southeast Asian Arms Acquisition Trends

Arms acquisition trends in Southeast Asia can be split into two eras divided by the 1997 EAFC. This economic shock led to political upheaval, resulting in the change of regime leadership in Indonesia. Concurrently, the arms acquisition plans of regional militaries were also mostly derailed.

a. Pre-EAFC Trends

Mak identified that the first era of Southeast Asian arms acquisition spanned from the late 1980s into the 1990s,⁶ when Southeast Asian nations engaged in arms procurement at an increased rate even though there appeared to be a peace dividend that could be reaped from the demise of the Cold War.⁷ Two broad trends can be observed

⁶ Joon-Num Mak, *ASEAN Defence Reorientation 1975–1992: The Dynamics of Modernization and Structural Change* (Canberra, Australia: Strategic and Defense Studies Centre, Australian National University, 1993), 3.

⁷ Bilveer Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia* (Jakarta: Centre for Strategic and International Studies, 1995), 26.

relating to (1) increasing military expenditure and (2) a shift towards building a conventional military.

First, Southeast Asian states embarked on a consistent trend of increasing defense spending that was not aligned with global trends. From 1988 to 1997, the military expenditure of the six countries that formed the Association of Southeast Asian Nations (ASEAN) grew 71.3 percent, in contrast to the global average that dropped by 31.7 percent. Bilveer Singh noted the arms procurement activities of ASEAN, identifying this grouping as being most responsible for the “upsurge of arms acquisitions.”⁸ The strongest growth resulted from the efforts of Malaysia, Indonesia, and Singapore. These countries, on average, more than doubled their defense spending to fund the procurement of a range of military hardware for their armed forces.⁹

Second, analysts noted that the weapons procured reflected a shift away from counter-insurgency operations and a desire to build conventional militaries. This transition was observed by Acharya, who noted that across Southeast Asia, there was a “clear emphasis on air and naval systems, rather than ground force equipment,” indicating a shift in the doctrinal focus of the militaries.¹⁰ This involved a long-term move to procure a broader mix of weapons systems like “tanks, combat aircraft, major naval platforms, and fast attack craft,” which was different from the ground-based weapons needed for fighting insurgents.¹¹ This transition was clearly illustrated by purchases of airborne early warning aircraft and submarines by some countries.¹² Such observations aligned with the analysis of Andrew Tan, who pointed out that the Southeast Asian nations had started to shift their focus toward improving the technology levels of their military.¹³

⁸ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 26.

⁹ “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

¹⁰ Amitav Acharya, *An Arms Race in Post-Cold War Southeast Asia? Prospects for Control* (Singapore: Institute of Southeast Asian Studies, 1994), 18.

¹¹ *Ibid.*, 21.

¹² *Ibid.*, 21 & 24.

¹³ Andrew Tan, “Defense Spending and Procurement Trends in Southeast Asia,” in *The Global Arms Trade: A Handbook*, ed. Andrew Tan (New York: Routledge, 2014), 20.

b. Post-EAFC Trends

In the aftermath of the EAFC, most countries in Southeast Asia were forced to scale back their arms procurements, but this break turned out to be only a brief intermission, as by 2001, “the region as a whole [had] resumed procuring modern weapons systems.”¹⁴ This second period of arms acquisition can be characterized by its (1) differentiated increase in military expenditure and by the (2) collective qualitative improvement of military capabilities.

Quantitatively, Southeast Asian states resumed increased military spending after the EAFC, albeit at different rates. Indeed, averaging among the same six ASEAN nations, military expenditures rose 82.3 percent from 2000–2014, showing that they had resumed a pace of growth that was comparable to that prior to the EAFC. This time, however, the regional increase in military expenditure was accompanied by a global increase of 53.4 percent, suggesting that Southeast Asian expenditures were only slightly above the global average. When considering the military expenditure trend for individual countries, it is pertinent to observe that Indonesia and Malaysia increased their expenditures by impressive amounts of 211.1 and 101.7 percent, respectively, while Singapore’s expenditure only grew 24.7 percent. While these numbers appear to differ by a large amount, the growth in expenditures for Malaysia and Indonesia is inflated because their expenditures had dropped significantly after the EAFC. In contrast, the pace of military spending was maintained in Singapore, resulting in a smaller proportion of growth.¹⁵

While the quantitative study of military spending patterns showed no significant difference prior to and after the EAFC, there was a collective improvement in the quality of Southeast Asian militaries, “evident from the introduction of new military capabilities which hitherto did not exist or were clearly under-emphasized.”¹⁶ Some of these capabilities included submarines, multi-role combat aircraft, multiple rocket launchers,

¹⁴ Tan, “Defense Spending and Procurement Trends in Southeast Asia,” 15.

¹⁵ “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

¹⁶ Tan, “Defense Spending and Procurement Trends in Southeast Asia,” 20.

precision guided munitions, and beyond visual range air intercept missiles; all of which increased the lethality and force projection capabilities of the militaries. This aggressive growth in military capabilities resulted in some writers warning of a potential arms race in the region,¹⁷ but Tan cautioned against any hasty and exaggerated assessments as the quantities procured tended to be small, reflecting arms procurement strategies that are “modest and are not aimed at building up large offensive military capabilities.”¹⁸

Hence, this thesis aims to clarify the arms procurement situation in Southeast Asia by analyzing the drivers for arms procurement with a focus on acquisition patterns after the EAFC. The next section considers four main reasons for arms procurements, highlighted by Southeast Asian security and international relations experts, as key factors to be investigated.

2. Survey of Reasons Driving Southeast Asian Arms Procurement

Many reasons were identified as being possible causal factors for driving Southeast Asian arms procurement in the 1990s and after the EAFC. This section highlights four factors that were consistently emphasized by scholars. These factors are (a) Resource Availability, (b) Domestic Politics, (c) External Threats, and (d) Force Modernization.

a. Resource Availability

The process of arms procurement requires substantial financial resources, not just for the acquisition phase, but for the operations and maintenance phases as well. Hence, countries would need to assess their fiscal strength before committing to such acquisitions. It follows that countries that are in strong economic positions would be more inclined to build-up their militaries as they have the resources to fund arms procurements without sacrificing other priorities. Indeed, resource availability is a strong factor that was highlighted by many analysts across both eras of arms acquisitions. As

¹⁷ Desmond Ball, “Arms Modernization in Asia: An Emerging Complex Arms Race,” in *The Global Arms Trade: A Handbook*, ed. Andrew Tan (New York: Routledge, 2014), 30.

¹⁸ Tan, “Defense Spending and Procurement Trends in Southeast Asia,” 27.

Mak explained, “the economic affordability of any defense program is...a prime consideration” in deciding what acquisitions to undertake.¹⁹

During the economic boom prior to the 1997 EAFC, a host of scholars found that increased state wealth was an enabling factor for increased military expenditure across Southeast Asia. Rolls identified the “availability of resources” as “highly significant in facilitating or enabling the acquisition of major weapons systems by many of the states,”²⁰ with Ball stating that “rates of economic growth provide the single best indicator of increases in defense expenditures.”²¹ On the same note, Bilveer Singh noted that “a major factor explaining the willingness and greater propensity of the ASEAN countries to go on an arms purchasing spree [was] due to the availability of funds for defense expenditure.”²² This causal link identified by the scholars was further strengthened by the cancellation of arms deals when the EAFC struck.²³ Finally, looking within ASEAN, Acharya also pointed out that the “highest increase in defense spending has occurred in Singapore, Thailand and Malaysia—countries that experienced the best economic growth,”²⁴ indicating that the arms procurement rates depended partly on the strength of the economy. These authors all agreed that arms procurement was driven, at least in part, by the availability of resources.

The logic that the availability of resources drove arms procurement persisted in the 2000s, when military expenditures resumed their upward trend, with analysts highlighting the connection between these rising expenditures and the economic recoveries post-EAFC. Kang observed that “rising defense budgets” were “a reflection of increasing prosperity,”²⁵ and Bitzinger also noted that strong economic growth funded

¹⁹ Mak, *ASEAN Defence Reorientation 1975–1992*, 12.

²⁰ Mark G. Rolls, *The ‘Arms Dynamic’ in Southeast Asia during the Second Cold War* (Burlington, VT: Ashgate, 2002), 139.

²¹ Desmond Ball, “Arms and Affluence: Military Acquisitions in the Asia-Pacific Region,” *International Security* 18, no. 3 (1994), 81, doi: 10.2307/2539206.

²² Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 60.

²³ Rolls, *The ‘Arms Dynamic’ in Southeast Asia*, 139.

²⁴ Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 39.

²⁵ David Kang, “A Looming Arms Race in East Asia? The Answer Might Surprise You,” *The National Interest*, May 14, 2014, <http://nationalinterest.org/feature/looming-arms-race-east-asia-10461>.

defense budgets, whilst allowing the governments to maintain a consistent defense burden—the defense share of GDP—at a sustainable rate.²⁶ Wang also focused on the importance of the availability of resources, adopting a statistical approach to support the claim that GDP had a “significant positive effect” on arms expenditure.²⁷ Hence, across both time spans, experts identified the availability of state resources as a driver for arms procurement in Southeast Asia.

b. Domestic Politics

Building upon the notion that the amount of resources available could determine the level of arms procurement, scholars who examined domestic politics in Southeast Asia also observed that the process of by which governments divided their budgets was an equally relevant factor. For instance, Bilveer Singh observed in 1995 that military expenditure was becoming a smaller fraction of GDPs across Southeast Asia, reflecting the classic trade-off between ‘guns versus butter.’²⁸ In these countries, social demands could draw greater political attention and resources than security demands. Nevertheless, domestic politics is a multifaceted issue as its inner workings and norms vary substantially across borders. As such, in surveying the findings of various writers, three main themes emerged: (1) competition amongst political stake-holders that affects defense budget allocation, (2) endemic corruption that distorts the procurement process, and (3) the desire for national prestige that garners greater support for defense expenditures.

First, competition amongst political stake-holders affects defense budget allocations. In part, this is related to the degree of influence that the military has in domestic politics. Indeed, a military with strong political influence could drive the decision-making process of governments in a way that increases defense budgets, funding more arms procurements. Acharya pointed out that, prior to the EAFC, while

²⁶ Richard Bitzinger, “Southeast Asian Naval Expansion and Its Risks,” *The Straits Times*, May 14, 2015, <http://www.straitstimes.com/opinion/south-east-asia-naval-expansion-and-its-risks>.

²⁷ Yu Wang, “Determinants of Southeast Asian Military Spending in the Post-Cold War Era: A Dynamic Panel Analysis,” *Defence and Peace Economics* 24, no. 1 (2012): 82, doi:10.1080/10242694.2012.656944.

²⁸ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 41.

rationalizations about “strategic need and economic affordability” had a bearing on arms procurement decisions, for ASEAN, “the influence of the military over the government apparatus... [has] some influence on the decision making process.”²⁹ He cited how the Thai military was able to “fend off budget cutbacks initiated by parliament by applying pressure on politicians.”³⁰ Similarly, Bilveer Singh also noted how inter-service rivalry and “ambition also played a major role in arms purchases,” as “decisions regarding weapons acquisitions frequently reflect a service chief’s desire to be remembered for having introduced a sophisticated weapon system.”³¹ After the EAFC, Hartfiel and Job also contended that, some Southeast Asian militaries still “[carried] substantial political clout,” reflecting their ability to exert political pressure to support and encourage larger-than-expected arms acquisitions.³²

Conversely, if the domestic political environment was composed of stronger voices for social programs, more resources would be allocated for efforts such as education, transportation, and healthcare. In this line of reasoning, there were also voices downplaying the significance of military influence, as Rolls argued that the military’s part in the decision-making process was only of “marginal importance.”³³ Highlighting the importance of social programs, he surmised that the final decisions were always “tempered by a realization that the demands of national development took first priority and that any arms acquisitions should be affordable and appropriate to the prevailing strategic situation.”³⁴ This was similarly observed by Mak, who noted that the Indonesian military appreciated the preeminence of national priorities.³⁵

²⁹ Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 40.

³⁰ Ibid.

³¹ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 76.

³² Robert Hartfiel and Brian Job, “Raising the Risks of War: Defence Spending Trends and Competitive Arms Processes in East Asia,” *The Pacific Review* 20, no. 1 (2007): 15, doi: 10.1080/09512740601133138.

³³ Rolls, *The ‘Arms Dynamic’ in Southeast Asia*, 138.

³⁴ Ibid.

³⁵ Mak, *ASEAN Defence Reorientation 1975–1992*, 20.

Second, the presence of corruption in domestic politics introduces distortions into the decision-making process of some Southeast Asian countries, creating alternative incentives to embark on arms procurements. Indeed, the nature of huge arms procurement contracts creates avenues for subterfuge and corruption because the inclusion of components, such as logistics support and training, lead to complex contracts that can be manipulated for corrupt ends. Hence, the causal process here is that an increased level of corruption in the decision making process can encourage arms procurement for the anticipated kickbacks. The relevance of corruption to arms procurement in Southeast Asia is most bluntly stated by Bilveer Singh, who identified corruption as “play[ing] a role in the decision to buy arms.”³⁶ Meanwhile, Acharya also highlighted corruption as an influencing factor in the “decision-making process.”³⁷ Indeed, for countries like Indonesia, the presence of corruption was publicly acknowledged by ex-Defense Minister Sudarsono, who claimed that “up to 40% of procurement proposals could be mark-ups.”³⁸ As such, this thesis investigates how corruption in domestic politics drives the decision-making process for the procurement of weapons.

Third, the desire for prestige appears to be a relevant motive in domestic politics that affects arms procurement trends in Southeast Asia. Nationalism has traditionally been a powerful force for many Southeast Asian countries, and the image of militaries has been a tangible manifestation of the strength and prestige of a nation. As Tim Huxley observed, “within Southeast Asia, there has been a perennial and widespread concern to ‘keep up with the neighbors’ for both prestige and military reasons.”³⁹ This is particularly the case when procurements are made with little operational need, or when the stated justifications made by politicians are based on reasons of prestige. For example, the procurement of Main Battle Tanks (MBT) by Indonesia was considered ill-

³⁶ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 76.

³⁷ Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 40.

³⁸ Ristian Atriandi Supriyanto, “Indonesia’s Naval Modernisation: A Sea Change?” *RSIS Commentaries*, no. 20 (2012), <https://www.rsis.edu.sg/wp-content/uploads/2014/07/CO12020.pdf>.

³⁹ Tim Huxley, “Defense Procurement in Southeast Asia,” *5th workshop of the Inter-Parliamentary Forum on Security Sector Governance in Southeast Asia*, Geneva Centre for the Democratic Control of Armed Forces, October 12–13, 2008, 5, http://ipf-ssg-sea.net/5th_WS/defence_procurement_overview_Tim+Huxley.pdf/.

advised given the archipelagic context of Indonesia, as well as the tropical terrain of soft muddy grounds and dense forests. Similarly, Malaysia's then-Defense Minister Najib justified the need for MiG-29 jets on the basis that "Indonesia, Singapore, and Thailand [had] the F-16 while [Malaysia had] no such fighter aircraft."⁴⁰ Whilst there might have been reasonable professional reasons for the purchase of such sophisticated weaponry, those reasons were not portrayed up front, and instead, an emotional appeal to national pride and prestige was used, probably because such an approach was deemed to win greater support.

Before the EAFC, besides Acharya's identification of prestige as a relevant impetus, Ball also attributed the "acquisition of sophisticated weapons systems" to "the attendant prestige" of owning such equipment.⁴¹ Specifically, he suggested that the ability to "operate and maintain" such "high-technology weapon systems...was an indicator of political and economic modernization."⁴² Meanwhile, Mak noted that there was a "competition for status between the ASEAN members," and countries have sought sophisticated systems for prestige.⁴³ Since the EAFC, the factor of prestige remains relevant, as "submarines tend to be sought after in part for symbolic reasons."⁴⁴

c. External Threat

Commenting that "to enhance one's security is the primary and primordial motivation for armament," Bilveer Singh is one of many writers who identified external security threats as one of the causal factors for the arms procurement trends in Southeast Asia.⁴⁵ These writers framed the external threats in two categories of intra-regional and extra-regional threats.⁴⁶

⁴⁰ Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 30.

⁴¹ Ball, "Arms and Affluence," 91–92.

⁴² Ibid.

⁴³ Mak, *ASEAN Defence Reorientation 1975–1992*, 142.

⁴⁴ Hartfiel and Job, "Raising the Risks of War," 15–16.

⁴⁵ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 51.

⁴⁶ Ibid., 47–56; Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 35.

First, intra-regional tensions were commonplace amongst Southeast Asian nations, leading some militaries to make plans to deal with any contingencies. Bilveer Singh saw that the end of the Cold War had a “decompression” effect that allowed “the surfacing of intra-ASEAN territorial disputes,” such as Pedra Branca (between Malaysia and Singapore) and Ligitan and Sipadan (between Malaysia and Indonesia).⁴⁷ Additionally, because these disputes “involved the question of sovereignty,” they tended to “linger on for a long time,” festering as long-term “irritants to bilateral relationships.”⁴⁸ With such long-standing tensions, Acharya also asserted that such scenarios formed the “basis of contingency planning,” whereby operational and procurement plans were laid out to address any eventualities.⁴⁹ This notion of bolstering militaries to prepare for contingencies was also echoed by Wattanayagorn and Ball.⁵⁰

To a certain extent, such procurement plans appeared to reveal the underlying intra-regional tensions that were sometimes not acknowledged in public. Indeed, although the states traditionally “do not...explicitly identify each other as security threats,” analysts have pointed out that “many of the weapon systems accumulated...are externally oriented...designed for conventional interstate warfare.”⁵¹ Huxley concurs, suggesting that, “it is clear that certain pairs of Southeast Asian states have made and still make serious plans for war with each other.”⁵² Hence, there is some credence that intra-regional tensions and threat perceptions have a causal relationship with arms purchases.

Second, Southeast Asian countries are also vulnerable to potential threats from the regions surrounding Southeast Asia, particularly China. Before the EAFC, scholars agreed that the South China Sea (SCS) dispute presented the “most serious and urgent security problem.”⁵³ The situation improved in the early 2000s when China embarked on

⁴⁷ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 16.

⁴⁸ Ibid., 21.

⁴⁹ Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 29.

⁵⁰ Panitan Wattanayagorn and Desmond Ball, “A Regional Arms Race?” *Journal of Strategic Studies* 18, no. 3 (1995): 163.

⁵¹ Hartfiel and Job, “Raising the Risks of War,” 6.

⁵² Huxley, “Defense Procurement in Southeast Asia,” 5.

⁵³ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 21.

a charm offensive underscored by the signing of the Declaration on the Conduct (DOC) of Parties in the South China Sea with ASEAN. Unfortunately, more assertive Chinese actions resumed from 2007 onwards causing an increase in Sino-Vietnamese tensions, escalating the SCS conflict again.

This oscillating pattern of Chinese words and actions has resulted in wariness and cynicism amongst Southeast Asian states regarding China's intentions. Indeed, Wang argued that "Southeast Asian nations do not unanimously perceive the rise of China as a security threat," but "rather, the level of perceived threat is conditioned upon the existence of unresolved territorial disputes with China."⁵⁴ To this end, Bitzinger identified Vietnam as a country that appeared to be arming up against China, validating the wider impression that Beijing's actions were driving arms acquisitions in some Southeast Asian countries.⁵⁵ This trend also corroborates Wang's statistical approach that showed a correlation between the rise of China and military expenditure in Southeast Asia.⁵⁶ Finally, Collin Koh studied the development of amphibious forces in the region, highlighting how tensions with China over the SCS dispute influenced arms procurement, providing more empirical evidence of this trend.⁵⁷

Still, scholars have not agreed on whether intra-regional or extra-regional threats act as stronger driving force for arms procurement. For instance, Bilveer Singh suggested that the greater threat lies within ASEAN itself,⁵⁸ whilst Acharya contended that the influence of bilateral disputes was sometimes "overstated."⁵⁹ Meanwhile, Rolls considered the threats together and asserted that external threats were still more important than domestic factors.⁶⁰ As such, it can only be surmised that external security threats

⁵⁴ Wang, "Determinants of Southeast Asian Military Spending," 78.

⁵⁵ Richard Bitzinger, "A New Arms Race? Explaining Recent Southeast Asian Military Acquisitions," *Contemporary Southeast Asia* 32, no. 1 (2010): 61.

⁵⁶ Wang, "Determinants of Southeast Asian Military Spending," 85.

⁵⁷ Collin Swée Lean Koh, "Southeast Asia's Emerging Amphibious Forces," *The Diplomat*, October 17, 2014, <http://thediplomat.com/2014/10/southeast-asias-emerging-amphibious-forces/>.

⁵⁸ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 52.

⁵⁹ Acharya, *An Arms Race in Post-Cold War Southeast Asia?* 30.

⁶⁰ Rolls, *The 'Arms Dynamic' in Southeast Asia*, 145.

have, in some part, caused arms procurement in Southeast Asia before and after the EAFC. This thesis will delve into this factor in more detail.

d. Force Modernization

The fourth driver of Southeast Asian arms procurement commonly cited by scholars relates to the requirement to modernize military forces, especially for the replacement of aging equipment. While force modernization could easily be used as a non-antagonistic justification for internal balancing against external threats, scholars found that there were situations when Southeast Asian states invested in arms procurements purely as a means of maintaining the technological relevance of their armed forces. At the same time, analysts also asserted that it was reasonable for militaries to embark on “normal, cyclical process[es] of replacing older...equipment” for reasons of safety, cost efficiency, and effectiveness.⁶¹

Prior to the EAFC, Southeast Asian militaries were progressively transforming their forces based on a shift from maintaining internal security to enforcing territorial integrity using conventional forces.⁶² This situation was particularly relevant for Indonesia and Malaysia, which had both experienced prolonged internal security threats from communist forces and minority ethnic groups.⁶³ To achieve this force transformation, Bilveer Singh noted that there was a need to “replace obsolete weapons” and “upgrade earlier weapons systems.”⁶⁴ Finally, added responsibilities of maritime Exclusive Economic Zone (EEZ) surveillance that arose with the promulgation of the United Nations Convention on the Law of the Sea (UNCLOS) also motivated initiatives to modernize military capabilities.⁶⁵

After the EAFC, the scope for force modernization expanded further, as the two new mission areas, Humanitarian Assistance and Disaster Relief (HADR) and anti-terror

⁶¹ Bitzinger, “A New Arms Race?” 62.

⁶² Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 31.

⁶³ Mak, *ASEAN Defence Reorientation 1975–1992*, 27.

⁶⁴ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 61.

⁶⁵ Mak, *ASEAN Defence Reorientation 1975–1992*, 30–31.

efforts, took center-stage. First, the 2004 Indian Ocean Tsunami was highlighted by many nations as justification to raise amphibious forces to cope with HADR missions.⁶⁶ Second, the 9/11 incident and the Global War on Terror were also cited as another reason for the bolstering of defense forces.⁶⁷ However, in both cases, the authors also found that the nature of weapon systems procured were “beyond HADR needs,”⁶⁸ or that they had “little or no internal security application.”⁶⁹ Therefore, these reasons appeared to be convenient covers for pursuing arms procurement activities.

It is thus apparent that force modernization needs to be approached with scrutiny. While Southeast Asian states have regularly referred to modernization to justify arms procurement, the procurement patterns that emerged have sometimes resulted in systems that are not exactly suited for the purported demands. This is further complicated by the fact that the demands have shifted with time, making force modernization an important and yet, amorphous justification for arms procurement.

3. Implications of the Southeast Asian Arms Procurement Trends

Building upon how the four factors drive arms acquisitions in individual countries, how can one better characterize the arms procurement trends as a region? Indeed, the primary concern is if these arms procurement efforts would result in, or are already indicative of, a regional arms race. This section first reviews scholarly assessments, which generally suggest that an arms race is not present in the region. Second, an alternative model—the arms dynamic—is introduced as a tool to understand the arms procurement patterns of Southeast Asia.

a. Was There an Arms Race in Southeast Asia?

Before reviewing observations of whether there was an arms race in Southeast Asia, it is prudent to outline how a classical arms race is defined. Samuel Huntington first defined the arms race as “a progressive, competitive peacetime increase in armaments by

⁶⁶ Koh, “Southeast Asia’s Emerging Amphibious Forces.”

⁶⁷ Hartfiel and Job, “Raising the Risks of War,” 2.

⁶⁸ Koh, “Southeast Asia’s Emerging Amphibious Forces.”

⁶⁹ Hartfiel and Job, “Raising the Risks of War,” 16.

two states or coalition of states resulting from competing purposes or mutual fears,” emphasizing that the phenomenon must manifest with increased military strength with “reciprocal interaction between states.”⁷⁰ Colin Gray built on this definition, emphasizing the element of rapidity. He wrote in 1971 that an arms race is characterized by “two or more parties perceiving themselves to be in an adversary relationship, who are increasing or improving their armaments at a rapid rate and structuring their military postures with a general attention to the past, current, and anticipated military and political behavior of the other parties.”⁷¹ Noting that the characteristics of adversarial competition and accelerated arms procurement are fundamental features of an arms race, how have scholars assessed the arms procurement patterns before and after the EAFC?

Contrary to news headlines, numerous scholars in the pre-EAFC era, including Acharya, Ball, Rolls, Mak, and Singh, concluded that the arms build-ups did not fit the criteria of an arms race. In fact, Rolls went so far as to mention that this assessment was actually “not contentious,” adding that there was wide support for the position.⁷² On the whole, the authors rejected the arms race label for two main reasons: the slow pace and small scale of the build-up and the diversity of reasons for the build-up.

First, some analysts argued that the speed and scale of these arms procurements were not as fast as necessary to be considered part of an arms race. Bilveer Singh noted that “defense expenditures have not risen to the same degree as to indicate ‘abnormal rates of growth.’”⁷³ While acknowledging increased levels of arms procurement, Singh attributed the increases to “growing economic prowess rather than an arms spiraling contest.”⁷⁴ Finally, Ball similarly highlighted how the “proportions of GDP being allocated to defense...[were] generally decreasing,” further dispelling the notion of countries making strenuous and competitive efforts to procure arms.⁷⁵

⁷⁰ Samuel P. Huntington, “Arms Races-Prerequisites and Results,” *Public Policy* 8 (1958): 41.

⁷¹ Colin S. Gray, “The Arms Race Phenomenon,” *World Politics* 24, no. 1 (1971): 40.

⁷² Rolls, *The ‘Arms Dynamic’ in Southeast Asia*, 146.

⁷³ Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 79.

⁷⁴ *Ibid.*

⁷⁵ Ball, “Arms and Affluence,” 94.

Second, some scholars highlighted that the underlying reasons for the arms procurement patterns were multifaceted and not solely challenging external threats. Indeed, Mak argued that Southeast Asia's arms procurement actions were "due to a combination of external and internal factors (including non-threat dynamics)."⁷⁶ Acharya took a similar view, elaborating that the security environment confronting Southeast Asian states was a composite of "uncertainty stemming from the changing role of major powers," elevation of maritime issues, as well as "interactive factors related to power, prestige and bargaining power."⁷⁷ Therefore, the arms race hypothesis failed because arms procurement were not characterized by rapid and antagonistic competition, and they are more "uncertainty driven" than "threat driven."⁷⁸

With such a verdict cast on the arms procurement patterns in the 1990s, scholars in the 2000s appeared less interested in the prospects of an arms race in Southeast Asia. Again, it was news media and magazines—*Newsweek*, the *Wall Street Journal*, and the *Financial Times*—that published articles proclaiming an ongoing arms race, citing the procurement of offensive systems like submarines by multiple nations.⁷⁹ The few scholars who contested that rhetoric declined to call it an arms race. Bitzinger surmised that the countries did not display "a high degree of public animosity and antagonism,"⁸⁰ and their acquisition rate was not "'rapid' or 'extensive.'"⁸¹ Loo agreed, noting the absence of any competitive racing in how the arms were procured.⁸²

Therefore, it can be seen that many writers from both time periods did not consider there to be an arms race in progress in Southeast Asia. Yet, Bitzinger notes that

⁷⁶ Mak, *ASEAN Defence Reorientation 1975–1992*, 6.

⁷⁷ Acharya, *An Arms Race in Post-Cold War Southeast Asia?*, 47.

⁷⁸ *Ibid.*, 49.

⁷⁹ Joshua Kurlantzick, "Militarized States: The Rising Power of Generals within the Governments of Asia is Fueling the Regionwide Arms Race," *Newsweek*, November 29, 2010, ProQuest ID:814804594; Amol Sharma et al., "Asia's New Arms Race," *The Wall Street Journal*, February 12, 2011, <http://www.wsj.com/articles/SB10001424052748704881304576094173297995198>; David Pilling, "Asia Follows China into an Old-Fashioned Arms Race," *The Financial Times*, April 2, 2014, <http://www.ft.com>.

⁸⁰ Bitzinger, "A New Arms Race?" 61.

⁸¹ *Ibid.*, 62.

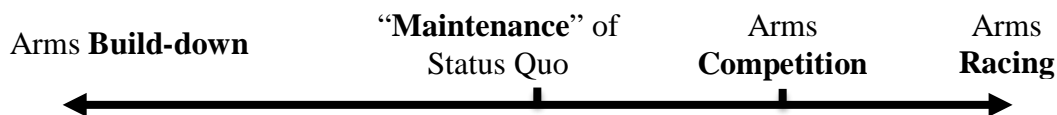
⁸² Bernard Fook Weng Loo, "Arms Races in Asia?" *IDSS Commentaries* no. 149/2010 (2010): 2, <https://www.rsis.edu.sg/wp-content/uploads/2014/07/CO10149.pdf>.

to describe “Southeast Asian arms acquisitions as just [the] recapitalization of local militaries is equally dissatisfying,” as it is apparent that “the countries are engaged in something far beyond the mere modernization of their armed forces.”⁸³ Hence, alternative theories to better frame the phenomenon need to be considered.

b. The Arms Dynamic Model

Part of the reason why the arms procurement patterns of Southeast Asia have not been labelled as arms races has been due to the specificity of the definition.⁸⁴ This sentiment was espoused by Gray himself, who denounced his definition in 1996 with the opinion that the arms race was an “unhelpful metaphor” as it described a unique situation that was not practical for application.⁸⁵ It was at this point that Buzan and Herring demurred, pointing out that despite the specificity of the definition and its resultant sparseness of examples, a full-scale arms race was a useful marker to define a spectrum of intensities in arms build-ups.⁸⁶ They proposed that instead of “a dichotomy of arms racing or not arms racing,” it was more useful to think of a continuum ranging from a fully developed arms race to an arms build-down scenario.⁸⁷ (See Figure 1.)

Figure 1. Depiction of Continuum of Arms Dynamic.



Adapted from Barry Buzan and Eric Herring, *The Arms Dynamic in World Politics* (Boulder, CO: Lynne Rienner, 1998), 79–81.

On the far end of the continuum is an all-out arms race, as suggested by Gray and Huntington, whilst on the opposite end is an arms build-down, similar to Gorbachev's

⁸³ Bitzinger, “A New Arms Race?” 63.

84 Ibid.

⁸⁵ Colin S. Gray, "Arms Races and Other Pathetic Fallacies: A Case for Deconstruction," *Review of International Studies* 22, no. 3 (1996), 323.

⁸⁶ Buzan and Herring, *The Arms Dynamic in World Politics*, 79.

87 Ibid.

unilateral cuts. The middle of the continuum refers to efforts to maintain the status quo and military balance. This brings us to the “gray” region between “maintenance” and “arms racing” that is termed “arms competition,” which covers cases where potential adversaries “chip away at the status quo and constantly seek to improve their position, although having no confidence in gaining a decisive advantage.”⁸⁸ With the introduction of the arms dynamic concept, analysts and foreign policy practitioners are more equipped to accurately categorize the range of possible trajectories of military development. Indeed, this framework has served as the foundation for other studies on the arms procurement patterns of Southeast Asia, and this concept is applied in this thesis to better frame the patterns observed in the region.⁸⁹

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

This thesis focuses on assessing the degree to which four causal factors function as underlying drivers for the arms acquisition patterns. As such, the four hypotheses are outlined as follows.

Hypothesis One: Resource availability is one of the main underlying drivers of the Southeast Asian arms build-up. This hypothesis asserts that the arms procurement patterns of Southeast Asia are fundamentally driven by the fact that the governments enjoyed strong economic growth and healthy government budgets. In other words, the acquisitions are driven by the supply of funds and not primarily because of having to balance against security threats.

Hypothesis Two: Domestic politics is one of the main underlying drivers of the Southeast Asian arms build-up. This hypothesis proposes that it is the nature of domestic politics that drives arms procurements in Southeast Asia. It suggests that while economic growth might generate funds, it is more critical to understand how allocations are decided. Additionally, corrupt motivations such as self-aggrandizement and the desire for national prestige could also drive arms procurement through the domestic political arena.

⁸⁸ Buzan and Herring, *The Arms Dynamic in World Politics*, 80–81.

⁸⁹ Bitzinger, “A New Arms Race?” 65; Rolls, *The ‘Arms Dynamic’ in Southeast Asia*, 1.

Hypothesis Three: The need to defend against external threats is one of the main underlying drivers of the Southeast Asian arms build-up. This hypothesis proposes that the more traditional reason for building militaries serves as the main driver for Southeast Asian arms procurement efforts. If this hypothesis were true, particularly for the case of intra-ASEAN challenges, there is a greater possibility that a security dilemma could materialize as the countries attempt to address perceived security challenges by engaging in more procurement, inadvertently creating more insecurity for their neighbors.

Hypothesis Four: Force modernization is one of the main underlying drivers of the Southeast Asian arms build-up. This hypothesis proposes that professional military needs drives arms procurement efforts. As such, arms are only procured to replace ageing equipment or to acquire new capabilities.

E. RESEARCH DESIGN

This thesis uses comparative analysis to investigate the factors that explain the procurement patterns observed in Southeast Asia. These findings test the four hypotheses, allowing conclusions to be drawn about how the regional arms build-up can best be characterized.

Malaysia, Indonesia, and Singapore have been selected as the three case studies for the following reasons. First, these countries have consistently been amongst the largest military spenders in Southeast Asia, accounting for more than 60% of total military expenditure since 2003.⁹⁰ In fact, Singapore was the fifth largest importer of weapons worldwide in 2012.⁹¹ Second, while one might expect Vietnam and the Philippines—arguably most affected by dramatic changes in their security environment because of the SCS dispute—to spend the most on defense, Malaysia, Indonesia, and Singapore continue to outspend Vietnam and the Philippines. As such, their sustained track record of military expenditure allows for a longer term analysis. Third, the three countries are close neighbors with histories of regional tension, and some writers have

⁹⁰ “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

⁹¹ John Feffer, “Asia Bucks Military Spending Decline,” *Asia Times Online*, April 15, 2014, <http://www.atimes.com/atimes/World/WOR-02-150414.html>.

asserted that an internal arms dynamic exists amongst the three countries, which makes a comparative study of the three countries relevant.⁹²

A mix of quantitative and qualitative sources are used in this research. Quantitative economic performance data is used to describe the economic health of the country. Next, metrics, including the percentage of GDP and the percentage of budgets spent on defense, indicates the level of resources that these nations commit to defense. At the same time, military expenditures and arms procurement data from the Stockholm International Peace Research Institute (SIPRI) is gathered and analyzed. Meanwhile, qualitative sources comprising the announcements of arms procurements, think-tank summaries of military capability surveys, and secondary source scholarly articles shed light on the discourse regarding the foreign policies of the three nations.

F. THESIS OVERVIEW AND CHAPTER OUTLINE

The thesis seeks to identify the underlying reasons for the arms procurement patterns in Southeast Asia, specifically investigating how the four factors drive acquisitions trends. The findings provide a foundation for an assessment on how the Southeast Asian arms build-up lies with respect to the arms dynamic model and its security implications. Chapters II to IV analyze the four factors for Malaysia, Indonesia, and Singapore in turn. Chapter V summarizes the reasons that drive the Southeast Asian arms build-up, addresses the four hypotheses, and assesses the regional security implications of the Southeast Asian arms build-up.

In all, this research concludes that the evidence most strongly supports hypotheses one and two, suggesting that the availability of resources and domestic politics were the strongest drivers for arms procurement in the three countries. The influence of such domestic factors therefore accentuate concerns about the existing trajectories of internal politics, as the trends toward adversarial politics could allow nationalistic appeals to more competitive arms dynamics in Southeast Asia, which could negatively affect regional security.

⁹² Felix Chang, "In Defense of Singapore," *FPRI Orbis* 47, no. 1 (2004): 108; Greg Earl, "Lonely Singapore Pulls the Wagons into a Circle," *Australian Financial Review*, August 12, 1998; Singh, *The Challenge of Conventional Arms Proliferation in Southeast Asia*, 43.

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II. MALAYSIA

This chapter will examine the four hypotheses raised in the introduction to discern the relative strengths of the drivers for Malaysia in the years 2000–2015. To first set the context, a review of Malaysia’s arms procurement record since the EAFC is presented, highlighting key combatants and capabilities that have been inducted.

A. REVIEW OF ARMS PROCUREMENT

The International Institute of Strategic Studies (IISS) notes that the Malaysian Armed Forces (MAF) has benefitted from “substantial modernization programs over the last 30 years” to develop the “capacity for external defense,” as they were initially focused on counter-insurgency operations.⁹³ Figure 2 shows all the key arms procurements made in the last fifteen years of that modernization drive. The procurements are segmented by the three MAF services and arranged chronologically by when the orders were finalized. They have been displayed over three five-year blocks to provide a visualization of the pace of arms purchases by Malaysia since 2000.

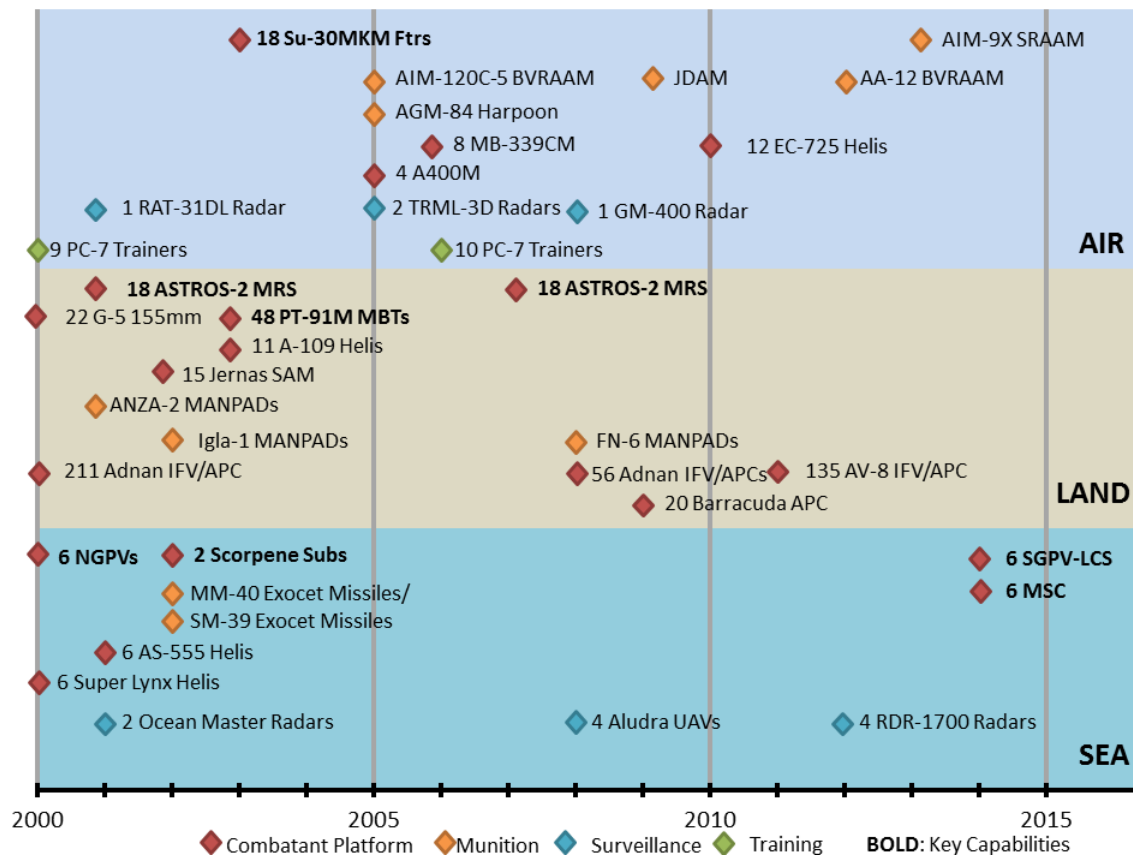
In the years 2000–2015, the key combatants that were added to the MAF include the Su-30MKM fighter jets, ASTROS-II Multiple Rocket System (MRS), PT-91 Main Battle Tanks (MBT), New Generation Patrol Vessels (NGPV), Scorpene submarines, Second Generation Patrol Vessels—Littoral Combat Ships (SGPV-LCS), and Missile Surface Corvettes (MSC). These platforms reflect the broad-based development of the MAF to induct modern platforms and capabilities in all three domains, bringing aspects of power projection with long-range systems like the Su-30MKM, and the ASTROS-II MRS.

Further analysis of Figure 2 reveals two trends. First, the pace of procurements has tapered off since the surge of purchases during 2000–2005. Within the first time period, 22 orders were placed, as opposed to ten in 2006–2010 and six in 2011–2015. While the Royal Malaysian Air Force (Tentera Udara Diraja Malaysia, TUDM) and

⁹³ “Chapter Six: Asia,” *The Military Balance* 115, no. 1 (February 10, 2015), 268.

Royal Malaysian Navy (Tentera Laut Diraja Malaysia, TLDM) ordered big tickets systems like the Su-30MKMS, the NGPVs, and the submarines in this initial surge, the emphasis of 2000–2005 was the Royal Malaysian Army (Tentera Darat Malaysia, TDM), with purchases of the 18 ASTROS-II MRS, 48 PT-91 MBTs, 11 Helicopters, more than 200 Infantry Fighting Vehicles (IFV), and an assortment of Ground-Based Air Defense (GBAD) units. Most analysts agree that this initial surge of procurement represented the resumption of arms procurements that had been put on hold during the EAFC.⁹⁴

Figure 2. Malaysia: Main Arms Procurements since 2000



Adapted from “SIPRI Arms Trade Register,” Stockholm International Peace Research Institute, accessed May 16, 2015, http://armstrade.sipri.org/armstrade/page/trade_register.php; Jane’s IHS Database, Jane’s IHS, accessed May 25, 2015, <http://janes.ihs.com>.

⁹⁴ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*, updated July 23, 2015; S. Jayasankaran, “Call for Arms,” *Far Eastern Economic Review*, May 16, 2002, 20; Tan, “Defense Spending and Procurement Trends in Southeast Asia,” 23.

Second, if the surge within the first time period focused on land combatants, the priorities in 2006–2010 shifted to equipping the TUDM. The equipping was broad-based, with procurements of combatant platforms interspersed with surveillance radars, transport and training aircraft, and more advanced munitions for existing fighters. Finally, the most significant procurement decisions of 2011–2015, were the double purchase of six SGPV-LCS and six South Korean-designed MSCs, signaling a renewed focus on the maritime domain.

Against this backdrop of the nature of Malaysia's arms procurement patterns from 2000–2015, this chapter analyzes the four causal hypotheses in turn, to assess the degree to which they have driven arms acquisitions in these countries.

B. RESOURCE AVAILABILITY

By characterizing the defense economics of Malaysia, this section demonstrates the strong relevance of the resource availability factor for the MAF arms build-up. Three main observations are made to support this assessment. First, the trend of Malaysian GDP and military expenditure are closely correlated, as seen in Figure 3.⁹⁵ It is widely recognized that the Malaysian government has had a track record of prioritizing economic development.⁹⁶ At times, the economic policies were unconventional in nature, as under then-Prime Minister (PM) Mahathir Mohamad, Malaysia went against the recommendations of the International Monetary Fund (IMF) and implemented capital controls whilst blaming the crisis on the “weaknesses of the international financial architecture.”⁹⁷ In so doing, Malaysia recovered to produce strong average GDP growth of 11.7 percent up until 2012—only slowing down to single-digit growth in 2012–2014. During much of this time span, military expenditure grew in close correlation with GDP,

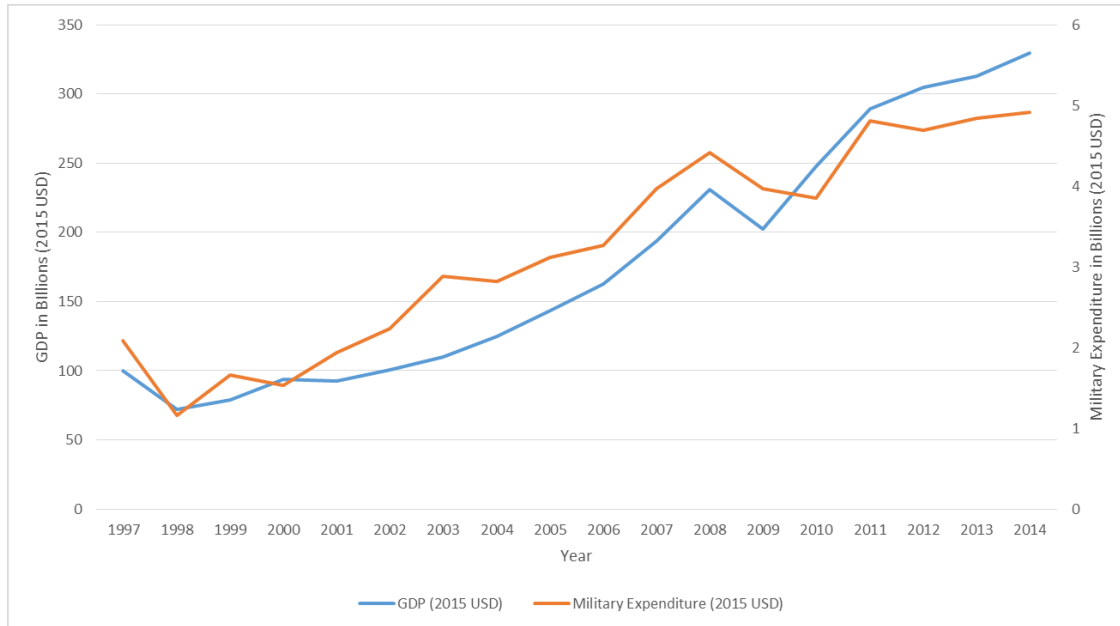
⁹⁵ “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org>; “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database; Jane's IHS Database, Jane's IHS, accessed May 25, 2015, <http://janes.ihs.com>.

⁹⁶ Alexander Sullivan, *Advancing U.S.-Malaysia Security Cooperation in a Changing Environment* (Washington, D.C.: Center for a New American Security, 2014), 6.

⁹⁷ Stephan Haggard, *The Political Economy of the Asian Financial Crisis* (Washington, D.C.: Institute for International Economics, 2000), 64.

best illustrated by the near-identical fluctuations of GDP and military expenditure in response to the global financial crisis of 2008.

Figure 3. Malaysia: GDP and Military Expenditure Post-EAFC



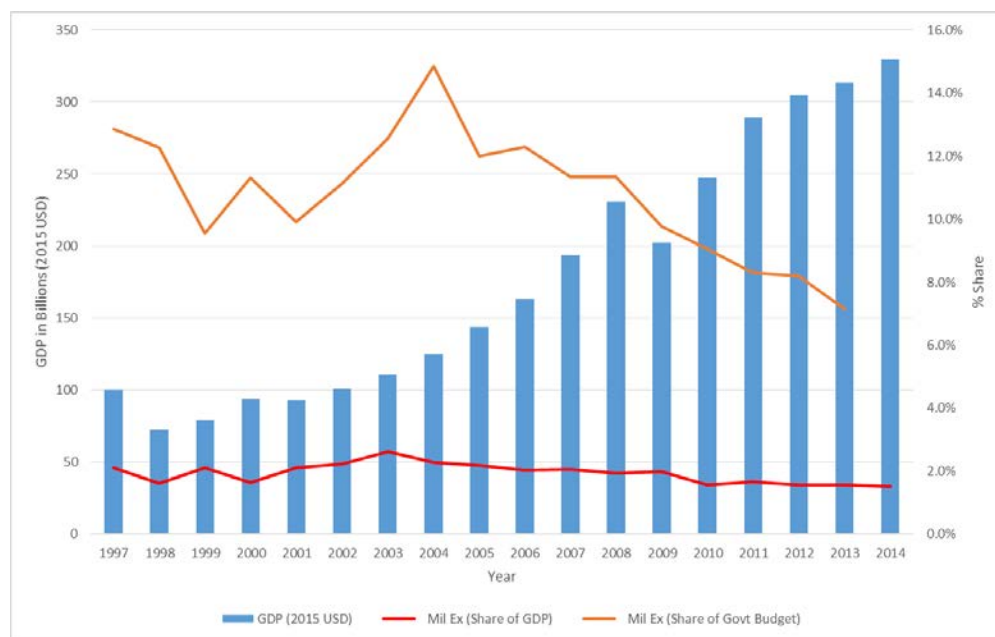
Adapted from “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org> and “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

Second, however, while the GDP growth seemed to taper slightly after 2012, military expenditure appeared to level off more distinctly. Specifically, although Malaysia’s growth slowed slightly to an average of 4.4 percent from 2012–2014, defense expenditures only inched up by 0.8 percent. In other words, even though economic growth continued to generate resources to fund MAF development, military expenditure practically stagnated during this time span. On the one hand, this can be interpreted to mean that the influence resource availability had in driving military expenditure had reduced as defense spending did not correlate as closely as it had before. On the other hand, as the weaker economic growth of 2012–2014 was a sizeable slow-down relative to the strong growth in the years before the 2008 global financial crisis, there has thus been a sense that Malaysia was in an “era of relative austerity,” resulting in the reduced arms

procurement.⁹⁸ The latter analysis is more relevant as the tight Malaysian budget has been further constrained by a “prolonged slump in oil prices,” leading “Malaysian acquisition plans” to be “postponed for reasons of financial constraints.”⁹⁹

Still, more analysis is required to understand why military expenditure declined to a greater degree than GDP, and a study of how defense is prioritized by the Malaysian government leads to the third observation that Malaysia has also maintained a moderate military expenditure policy where defense has steadily lost prominence in the budgetary process. This phenomenon can be observed in the defense shares of GDP and of the government budget, which are depicted in Figure 4.

Figure 4. Malaysia: Military Expenditure as a Share of GDP and National Budget



Adapted from “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org> and “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

⁹⁸ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

⁹⁹ Praveen Menon and Siva Govindasamy, “Tight Budget Hampers Malaysia’s Defense Ambitions,” *Reuters*, March 19, 2015, <http://www.reuters.com/article/2015/03/19/malaysia-defence-idUSL6N0WI25Y20150319#QRD9sLsdoolYGsUy.97>.

With reference to Figure 4, as a share of the GDP (red line), it can be seen that military expenditure has stayed generally level, which is logical given how closely defense spending correlated with GDP. The long term trend, however, shows a decade-long decline from the peak of 2.6 percent in 2003 to its lowest level of 1.5 percent in 2014. As a share of the national budget (orange line), after the initial fluctuations immediately following the EAFC, the trend has been dominated by a peak in 2003–2005 and consistent decline since. During the 2003–2005 peak, defense commanded an average of 13.1 percent of the national budget, which corresponds with the surge of arms procurement from 2000–2005 that was depicted earlier in Figure 2.

After the 2003–2005 peak, one can observe the fall in the prioritization for defense, with its share declining towards 7.1 percent in 2013. Compared to the global average of 9.3 percent, it is clear that Malaysia has been diverting resources away from defense, and it has been restrained in military expenditure. Indeed, Defense Minister (DM) Hishammuddin Tun Hussein's June 2015 Parliamentary statement outlining defense procurement priorities for the next five years reflected a pragmatic approach in light of limited finances, indicating that "any procurements must be in line with the threats Malaysia faced."¹⁰⁰ He further explained that there was no sense in investing in "Multi-Role Combat Aircraft (MRCAs) if the risks were from armed groups like the Islamic State."¹⁰¹ Hence, while Malaysia possessed the resources that fueled the initial procurement surges, the weaker economic performance since 2008 has reduced resources available for defense. Additionally, the reduced prioritization of defense exacerbates the lack of resources, amplifying the impact of the resource availability factor.

C. DOMESTIC POLITICS

As outlined in the introduction, domestic politics will be discussed in three areas: budgetary competition amongst political stake-holders, the distorting effects of corruption, and the desire for national prestige. When considering competition amongst

¹⁰⁰ Dzirhan Mahadzir, "Malaysian Defence Minister Outlines Procurement Priorities over Next Five Years," *Jane's Defense Weekly*, June, 15, 2015, <http://www.ihs.com>.

¹⁰¹ Ibid.

domestic political stake-holders in Malaysia, the statistics outlined in Figure 4 depict how defense has suffered a general decline as a share of the government budget since its peak in 2003–2005, revealing how other national demands have increasingly been prioritized over defense.

The weak political support for defense spending can be seen from how the government was careful not to make high defense expenditure a “negative election issue” in 2012.¹⁰² Even when defense spending was approved, priority was directed towards projects like the SGPV-LCS and the AV-8 IFVs, which “maximized local involvement.”¹⁰³ Both of these projects involved local partners—Boustead Heavy Industries Corporation, a ship-building company, and DefTech, a Malaysian armed vehicle company—maximizing domestic employment and precluding the defense budget from becoming a political issue.¹⁰⁴ From another perspective, the degree that defense has become such a politically sensitive issue in recent times is a manifestation of the weakening position of the ruling coalition, the Barisan Nasional (BN). As such, it is understandable why “political considerations appear to play a crucial role in the final selection of equipment.”¹⁰⁵

The trend of reducing defense allocation also reflects the weak political influence of the MAF, which was developed from a legacy of strong civil-military links that created a lack of “friction” in terms of budget allocations.¹⁰⁶ This legacy also involved the Finance Ministry as the final arbiter of acquisition decisions, with the Ministry of Defense (MOD) only responsible for providing technical inputs, typically resulting in the

¹⁰² Craig Caffrey, “Malaysia Defence Budget,” *Jane’s Defence Budgets*, updated May 5, 2015, <http://www.ihs.com>.

¹⁰³ Ibid.

¹⁰⁴ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*; Felix Chang, “Incentives Matter: Military Procurement Problems in India, Malaysia, and the United States,” Foreign Policy Research Institute, January 2014, <http://www.fpri.org/articles/2014/01/incentives-matter-military-procurement-problems-india-malaysia-and-united-states>.

¹⁰⁵ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

¹⁰⁶ K.S. Nathan and Geetha Govindasamy, “Malaysia: A Congruence of Interests,” in *Coercion and Governance—The Declining Political Role of the Military in Asia*, ed. Muthiah Alagappa (Stanford, CA: Stanford University Press, 2001), 273.

lowest cost bids winning.¹⁰⁷ Since Najib Razak became PM, “major procurement decisions often appear to circumvent the MOD and are instead handled directly by the Prime Minister’s Office (PMO),” again underscoring how the military does not possess much influence in this process.¹⁰⁸ Indeed, PM Najib’s concurrent appointment as the Finance Minister underscores his control over this process, which is further augmented by his ability to “source additional money from unconventional funding streams” like the use of interest-free Islamic banking systems (also known as *sukuk*).¹⁰⁹ In all, other political interests trump defense requirements in Malaysia, and even within the defense procurement process, the MAF and MOD are displaced from the center of gravity, making it less likely that the military can influence higher levels of arms procurement.

The second domestic politics factor relates to corruption, where the concentration of procurement decision-making power discussed above creates avenues for corruption that could incentivize officials to engage in more arms procurement for self-aggrandizement. Corruption can fester as there is generally a “lack of public attention” towards foreign policy and security because there is a much greater interest in the domestic aspects of politics.¹¹⁰ Despite this, the government still exercises political caution by avoiding excessively high defense budgets prior to elections, particularly in light of BN’s weakening political position. Corruption is also encouraged by the presence of “‘middle men’ or agents seeking kickbacks or bribes,” that have thrived with the lack of transparency.¹¹¹ While an earlier estimate quoted the commissions for arms deals to range from 10 to 20 percent, more recent queries regarding the SGPV-LCS deal suggest that the final contract was more than 30 percent greater than the original ‘ceiling’ cost of MYR6 billion.¹¹²

¹⁰⁷ Chang, “Incentives Matter: Military Procurement Problems.”

¹⁰⁸ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

¹⁰⁹ Ibid.

¹¹⁰ Chang, “Incentives Matter: Military Procurement Problems.”

¹¹¹ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

¹¹² Jayasankaran, “Call for Arms,” 20; “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

However, while corruption can result in the inflated cost of armaments, there is no evidence that corruption has actually led to more arms acquisitions. The level of funding did not increase to accommodate corruption, and hence, corruption appears to have a greater effect on the choice of equipment procured. Additionally, as more items are inflated in cost, there would be less armaments procured for the same level of funding. In this case, corruption has profited the elites and middle-men but not the MAF.

Third, Malaysia has not been an exception to Huxley's observation that Southeast Asian nations sought to "keep up with the neighbors" for national prestige, which is an aspect of domestic politics that occasionally draws on nationalistic appeals.¹¹³ Indeed, Jane's has even judged that Malaysia's "military procurement appears to be driven less by actual strategic requirements and more by foreign policy posturing."¹¹⁴ This observation stems from the notion that greater national prestige can strengthen the foreign policy position of a country.

The most cited example of a procurement being driven by prestige is that of the Scorpene submarines, which Malaysia ordered in 2002 during its surge of purchases after the EAFC. There were several hypotheses about what drove this acquisition. On the one hand, one could argue that these submarines were bought as a response to Singapore's submarine purchase in the 1990s, as Chang postulated.¹¹⁵ Alternatively, submarines could be seen as the best platforms to counter Chinese submarines in the SCS, but the Scorpene purchase in 2002 pre-dates the recent militarization of the SCS by the Chinese, weakening this argument. At this point, further considerations of China as an external threat will be deferred, as the next section will cover external threats in more detail. On the other hand, regional analysts have suggested that these submarines were more of a political response than a military one,¹¹⁶ where "nationalist sentiments" had over-ridden threats as a driving force for procurement.¹¹⁷ Furthermore, Boyd highlights the

¹¹³ Huxley, "Defense Procurement in Southeast Asia," 5.

¹¹⁴ "Procurement: Malaysia," *Jane's Sentinel Security Assessment – Southeast Asia*.

¹¹⁵ Chang, "In Defense of Singapore," 121.

¹¹⁶ "Procurement: Malaysia," *Jane's Sentinel Security Assessment – Southeast Asia*.

¹¹⁷ Caffrey, "Malaysia Defence Budget."

operational context, commenting that “light patrol craft” were more suitable for the region’s “shallow waters,” as compared to submarines,¹¹⁸ which were ultimately perceived as the “‘new bling,’ in the words of Bernard Loo.”¹¹⁹ Therefore, Malaysia can now count on the submarines to demonstrate its resolve in the SCS, but these notions were probably not in play when the procurements were justified.

Still, the strength of regional prestige as a driving factor is relatively weak, as there do not appear to be many examples other than the submarines. Additionally, Malaysia’s moderate pattern of procurements in the last decade does not correlate with prestige being a big driver of arms procurement, as the quality and quantity of arms procured have not matched those of its neighbors. Hence, it is judged that while regional prestige has cropped up as a justification in the case of the submarines, it is on the whole not a strong driving factor for Malaysia.

Therefore, with the weak influence of prestige, the prominence of non-defense political interests, and the possibly negative correlation between corruption and the quantity of arms acquisitions, it can be surmised that domestic politics is not a strong driving factor for arms procurement in Malaysia. Indeed, the strongest influence of domestic politics on arms procurement is through the obfuscation of the decision-making process. This manifests in the divergence of priorities caused by political concerns, corruption, and prestige that modifies the factor of resource availability, affecting how the allocated funds are actually spent. As Matthews and Maharani surmised, “Malaysia’s weapons procurement practices over the last two decades appear to have been based more on ad-hoc political dictate than on any overarching defense policy.”¹²⁰

¹¹⁸ Alan Boyd, “ASEAN’s Military Buildup Threatens Detente with China,” *Asia Times Online*, May 8, 2002, <http://www.atimes.com/se-asia/DE08Ae03.html>.

¹¹⁹ Pilling, “Asia Follows China into an Old-Fashioned Arms Race.”

¹²⁰ Ron Matthews and Curie Maharani, “Beyond the RMA: Survival Strategies for Small Defense Economies,” *The Quarterly Journal* 7, no. 2 (2008), 69.

D. EXTERNAL THREATS

Most scholars have explained threats to Southeast Asian nations as originating either from within the region or from without. This section first considers Malaysia's intra-regional threats and then analyzes her extra-regional threats.

1. Intra-Regional Threats

An analysis of intra-regional threat perceptions leads to the conclusion that intra-regional threats have not been a strong driving factor for arms procurement, as the concerns with regional neighbors stem more from rivalry than threats, and it is only territorial disputes that may have triggered arms acquisitions.

Weiss describes the relationship between Malaysia and Indonesia to be that of "sibling rivalries," where the "sheer depth and breadth of Malaysia-Indonesia ties...opens up a host of possible fault lines that have remained dormant."¹²¹ Hence, even though there are extensive examples of bilateral cooperation, the relationship remains "brittle," where "neither side seems sure of the other's genuine goodwill."¹²² The same can be said about relations with Singapore, with the added dimension of ethnically-based politics and the history of their separation.¹²³ Still, some analysts have dismissed the notion that Malaysia may be attempting, through arms procurement, to "bridge the technology and firepower gap" between Singapore's expensively-built military and their own, not only because the gap is significantly costly, but also because "Malaysia does not see Singapore as a potential battlefield foe."¹²⁴

Hence, despite the intertwined history and rivalry amongst the nations, Malaysia has not had to translate this rivalry into perceived threats. As such, a Malaysian analyst commented that "Malaysia was faced with the peculiar luxury of preparing to counter an

¹²¹ Meredith Weiss, "Malaysia-Indonesia Bilateral Relations: Sibling Rivals in a Fraught Family," in *International Relations in Southeast Asia: Between Bilateralism and Multilateralism*, eds. N. Ganesan and Ramses Amer (Singapore: Institute of Southeast Asian Studies, 2010), 172.

¹²² *Ibid.*, 187.

¹²³ K.S. Nathan, "Malaysia: Reinventing the Nation," in *Asian Security Practice: Material and Ideational Influences*, ed. Muthiah Alagappa (Stanford, CA: Stanford University Press, 1998), 525–26.

¹²⁴ Jayasankaran, "Call for Arms," 20.

enemy that, for all practical purposes, does not exist,”¹²⁵ underscoring the sentiment that Malaysia was set in a “benign environment with few...threats.”¹²⁶

A more substantial manifestation of regional tensions is found in territorial disputes, and there is some evidence that intra-regional threats can drive arms procurement. Malaysia has “boundary disputes with all of its neighbors,” which have been developed along a range of trajectories ranging from peaceful negotiated settlements to naval standoffs.¹²⁷ While some disputes, like Pedra Branca and the Ligitan and Sipadan Islands, have been arbitrated at the International Court of Justice (ICJ), the 2009 Ambalat Block dispute illustrated how easily territorial disputes led to skirmishes with physical damage to ships, even though no shots were fired.¹²⁸ Were there arms procurement responses to such clashes? To answer this question, the orders for twelve vessels in 2014 could be viewed as responses. As the negotiations for the SGPV-LCS commenced in 2010, it is most likely that enforcing Malaysia’s territorial claims in the Ambalat area would be one key justification for the procurement.

Malaysia’s sensitivity about territorial infringements echoes Sullivan’s insight that while Malaysia has prioritized economic development as the primary national goal, it “does not, however, imply that the country feels secure.”¹²⁹ Two incidents are worth highlighting. First, during the 2013 Sulu conflict, Malaysia’s territorial integrity was violated, and the MOD announced that a “high capability radar would be procured,” illustrating how such border incidents can drive arms procurement.¹³⁰ Second, the MH370 incident also emphasizes Malaysia’s attitude regarding territorial integrity. A Boeing 777 flaperon that washed up on Reunion Island in July 2015 all but confirmed the theory that the ill-fated aircraft had crossed over the Malaysian peninsula undetected, to

¹²⁵ Siew Mun Tang, “Malaysia’s Security Outlook and Challenges,” *Joint Research Series 5, Asia Pacific Countries’ Security Outlook and Its Implications for the Defense Sector* (Tokyo: National Institute for Defense Studies, 2010), 25.

¹²⁶ Sullivan, *Advancing U.S.-Malaysia Security Cooperation in a Changing Environment*, 6.

¹²⁷ Tan, “Defense Spending and Procurement Trends in Southeast Asia,” 23.

¹²⁸ Tang, “Malaysia’s Security Outlook and Challenges,” 30.

¹²⁹ Sullivan, *Advancing U.S.-Malaysia Security Cooperation in a Changing Environment*, 4.

¹³⁰ Jon Grevatt and Dzirhan Mahadzir, “Malaysia Increases 2015 Defence Budget by 10%,” *Jane’s Defense Weekly*, February 22, 2015, <http://www.ihs.com>.

crash in the Indian Ocean.¹³¹ This incident revealed blind spots in the Malaysian radar coverage, and calls to equip the TUDM with more air defense radars were answered in the 2015 Defense Budget, again reflecting how arms procurement has been driven by the need to maintain territorial integrity.¹³²

On the whole, intra-regional threats are not a main driver of the arms procurement patterns in Southeast Asia. Indeed, any weak influence that intra-regional relations has on weapons acquisition tends to stem from territorial disputes and conflicts, rather than threat perception.

2. Extra-Regional Threats

Zooming out from the immediate Southeast Asian region, this section considers the degree that the rise of China has driven arms procurement in Malaysia, with the conclusion that it has thus far not played a significant role. This may be surprising since Malaysia is the only SCS claimant amongst the three countries studied which has had to handle China's actions in the SCS directly. This section will argue that while Malaysia has not relied on arms procurements in responding to China, it has leveraged military deployments and diplomacy instead. To this end, this assessment has been developed by examining the issue from two perspectives: Sino-Malaysia foreign relations and Malaysia's military response to the SCS Dispute.

First, the Sino-Malaysian relationship is marked by economic interdependence and a track record of political convergence. Malaysia's focus on economic growth led to a "logic of economics and trade (that) underscored Malaysia's initial approaches to Beijing," that led to Malaysia overtaking Singapore as "China's largest trading partner in ASEAN" in 2003.¹³³ Since then, trade has continued rising at an average of 15.7 percent

¹³¹ Catherine Shoichet, Ashley Fantz, and Jethro Mullen, "Malaysian Prime Minister: Debris Is from MH370," *CNN*, August 6, 2015, <http://www.cnn.com/2015/08/05/world/mh370-investigation/>.

¹³² Mahadzir, "Malaysian Defence Minister Outlines Procurement Priorities."

¹³³ Joseph Chinyong Liow, "Balancing, Bandwagoning, or Hedging? Strategic and Security Patterns in Malaysia's Relations with China, 1981–2003," in *China and Southeast Asia: Global Changes and Regional Challenges*, eds. Khai Leong Ho and Samuel Ku (Singapore: Institute of Southeast Asian Studies, 2005), 288–89.

between 2002 and 2012.¹³⁴ With Kuala Lumpur's strategy of "trade bandwagoning," their bilateral relationship continued to strengthen. In 2013, another milestone was reached as bilateral ties were elevated to a "comprehensive strategic partnership" level and the Malaysia-China Kuantan Industrial Park was opened.¹³⁵

Politically, Malaysia was the first ASEAN nation to recognize China in 1974, and since then, as Liow observed, there has been a "remarkable convergence of the worldviews of both Malaysian and Chinese leaders," most prominently displayed with PM Mahathir's frequent criticisms of the West. For instance, China supported Mahathir's "vocal leadership" of "opposition to American hegemony and unilateralism" that resonated with Beijing's concerns.¹³⁶ While subsequent leaders have adopted a less combative tone, they have not backed off from rebuking the West on occasion. In 2008, when the U.S. State Department threatened to "oppose any politically-motivated investigation...of Mr. Anwar [Ibrahim]," a prominent opposition leader, Malaysia sent a protest note back stating that Malaysia "did not expect that overture by the U.S."¹³⁷ The resilience of the Sino-Malaysian relationship was also evidenced when the Chinese government distanced itself from the Chinese public's disapproval of the Malaysian government's response to the disappearance of MH370 in 2014.¹³⁸ In May 2015, Malaysia also deferred to China in refusing the entry of Hong Kong's Occupy Central student democracy activist, Joshua Wong, for a conference in Penang.¹³⁹

It is, therefore, with this context of economic cooperation and political alignment that one can appreciate Malaysia's diplomatic approach to the SCS dispute, in which

¹³⁴ Yantoultra Ngui, "China Elevates Malaysia Ties, Aims to Triple Trade by 2017," *Reuters*, October 4, 2013, <http://www.reuters.com/article/2013/10/04/us-malaysia-china-idUSBRE99304020131004>.

¹³⁵ Regina Lee and Han Seng Ong, "MCKIP Officially Open for Business," *The Star Online*, February 6, 2013, <http://www.thestar.com.my/News/Nation/2013/02/06/MCKIP-officially-open-for-business/>; Ngui, "China Elevates Malaysia Ties."

¹³⁶ Liow, "Balancing, Bandwagoning, Or Hedging?" 290.

¹³⁷ "Malaysia Rebukes U.S. over 'Meddling' in Anwar Sex Claims," *Asia One News*, July 6, 2008, <http://news.asiaone.com/News/AsiaOne+News/World/Story/A1Story20080706-74936.html>.

¹³⁸ Teddy Ng and Danny Lee, "China's Ambassador to Malaysia Distances Country from Anger of MH370 Families," *South China Morning Post*, April 3, 2014, <http://www.scmp.com>.

¹³⁹ Sumisha Naidu, "Hong Kong Student Activist Joshua Wong Denied Entry into Malaysia," *Channel NewsAsia*, May 26, 2015, <http://www.channelnewsasia.com>.

Malaysia has been accused of breaking ranks with ASEAN to prioritize its “special relationship” with China.¹⁴⁰ This observation arose most stridently after Malaysia’s muted response to revelations that the Chinese Navy had conducted maneuvers near the James Shoal off Sarawak in 2013.¹⁴¹ This was surprising to observers as Malaysia appeared to have compromised its own sovereignty to avoid upsetting China. Even if Malaysia was not strong enough to respond by force, it could still have registered publicly that such a development was not welcome.

Second, the tame diplomatic response to China’s actions in the SCS has been balanced by stronger military-based moves. One means has been defense diplomacy, where after China’s repeated visit to James Shoal in 2014 with its largest and newest amphibious assault ship, the TLDM Chief met with his U.S. counterpart, agreeing to “step up U.S. naval visits to Malaysia.”¹⁴² Another means has been the actual deployment of Malaysian military forces, where in mid-2015, when a Chinese Coast Guard ship anchored off the South Luconia Shoals, Malaysia sent a TLDM and a Malaysian Maritime Enforcement Agency (MMEA) vessel, to monitor the Chinese ship, signaling a firmer tone.¹⁴³ Of course, these escalated responses still fall short when compared to the protests and drastic measures by Vietnam and the Philippines, such the running aground of a derelict vessel, *Sierra Madre* on Ayungin Shoal off the Philippine island of Palawan back in 1999.

The third possible means of military response would have been to embark on arms procurement to meet China’s threat, but Malaysia’s stance up to 2013 does not support this notion. To explore such a possibility further, it is reasoned that if Malaysia

¹⁴⁰ Scott Bentley, “Malaysia’s ‘Special Relationship’ with China and the South China Sea: Not So Special Anymore,” *The Asan Forum*, July 31, 2015, <http://www.theasanforum.org/malaysias-special-relationship-with-china-and-the-south-china-sea-not-so-special-anymore/>.

¹⁴¹ Sharon Chen, “Malaysia Splits with ASEAN Claimants on China Sea Threat,” *Bloomberg*, August 29, 2013, <http://www.bloomberg.com>.

¹⁴² Carlyle Thayer, “‘Speak Softly and Carry a Big Stick’: What is Malaysia Playing at?” *The Diplomat*, February 28, 2014, <http://thediplomat.com/2014/03/speak-softly-and-carry-a-big-stick-what-is-malaysia-playing-at/>.

¹⁴³ Ridzwan Rahmat, “Malaysia Dispatches Missile Corvette to Monitor China Coast Guard ‘Intrusion,’” *Jane’s Defense Weekly*, June 11, 2015, <http://www.ihs.com>; Bentley, “Malaysia’s ‘Special Relationship’ with China.”

wanted to procure capabilities to address the SCS dispute, the MAF would seek better maritime awareness of their EEZs and better force projection of forces to demonstrate national resolve. Hence, suitable procurements include maritime awareness assets, force projection platforms, and a responsive show of presence capabilities.

In terms of maritime awareness assets, naval vessels and Maritime Patrol Aircraft (MPA) were ordered between 2000 and 2002 and between 2012 and 2014. In the first time span, assets like six German MEKO-A100 NGPVs, Ocean Master radars, and two Scorpene Submarines were ordered. A decade later, improved MPA radars and a back-to-back purchase of six SGPV-LCS and six MSCs were ordered. This latest set of twelve vessels was significant as the TLDM had never augmented their fleet at such a rate before. For force projection, there were fewer purchases; Malaysia only invested in four Airbus A400Ms transport aircraft in 2005 and twelve EC725 helicopters in 2010. Meanwhile, requirements for a Landing Ship Tank or a Multirole Support Ship that could project forces with sufficient logistics support were deferred.¹⁴⁴ Finally, as the capability for responsive show of presence is typically fulfilled by fighter jets, Malaysia's 2002 purchase of eighteen Su-30MKMs was most significant, particularly in light of the aircraft's much-vaunted long combat radius.

While these arms procurements fall within the postulated types, the timings of these orders do not support a strong correlation with China and the SCS dispute. On the one hand, most of the relevant equipment procured in the first 2000–2005 surge of arm procurements happened during China's 'charm offensive' in SEA, including the signing of the Declaration on the Conduct with ASEAN in 2002. Indeed, these purchases were more likely to make up for the halt in procurement during the EAFC.¹⁴⁵ On the other hand, there was a seven year gap between the 2007 escalation of the larger SCS dispute till 2014, when orders for the twelve naval vessels were initiated. While these later orders might be linked to the Chinese visits to James Shoal starting in 2013, it was noted that the negotiations for the orders started as early as 2010, showing that the Chinese actions in

¹⁴⁴ "Procurement: Malaysia," *Jane's Sentinel Security Assessment – Southeast Asia*.

¹⁴⁵ Ibid.

the SCS were unlikely to be the main driving factor.¹⁴⁶ Furthermore, when one considers that the Su-30MKMs—which could technically patrol the SCS—were eventually basing at Gong Kedak,¹⁴⁷ leaving it relatively far from Malaysia’s SCS claims that were nearer to Sabah and Sarawak, it leads to the conclusion that other factors had influenced the basing decision for the Sukhoi, and China was not the foremost concern.

Therefore, Malaysia has responded to China through aggressive diplomatic moves, defense diplomacy, and military deployments, but it has not responded in arms procurement. Thus, with respect to balancing against external threats, the only causal chain that has been observed lies in the realm of intra-regional territorial disputes, which has driven arms procurement in Malaysia.

E. FORCE MODERNIZATION

Force modernization has been a driver for MAF arms acquisitions more to replace obsolete equipment, rather than to keep up with the military technology. Nevertheless, even for the purpose of obsolescence management, force modernization was still a weak factor, as the following examples illustrate.

The justification to acquire new weapons systems in order to replace older systems that have become obsolete has been a common refrain in Malaysia, albeit with mixed success in terms of actual procurements being approved. On the one hand, in 2010, the TUDM managed to confirm the procurement of EC-725 helicopters to replace its “ageing and depleted Sikorsky S-61 Nuri utility helicopters.”¹⁴⁸ Similarly, the TDM succeeded in securing funds to procure the AV-8 IFV in 2011 to replace their “obsolete fleet of SIMBAS and CONDOR AFVs.”¹⁴⁹ On the other hand, in 2008, when the TLDM chief asserted the need to procure replacement surface-to-air missile systems for “its

¹⁴⁶ “Malaysia’s SGPV-LCS Gowind Frigates,” *Defense Industry Daily*, September 23, 2014, <http://www.defenseindustrydaily.com/malaysia-becomes-dcns-1st-customer-for-gowind-ships-07272/>.

¹⁴⁷ Gong Kedak is situated in the state of Kelantan, in the Northeastern region of Peninsula Malaysia.

¹⁴⁸ Jon Grevatt, “Malaysia Selects EC 725 to Meet Utility Helicopter Requirement,” *Jane’s Defense Weekly*, September 30, 2008, <http://www.ihs.com>.

¹⁴⁹ Christopher Foss, “Forging Ahead: Asian Armour Update,” *Jane’s Defense Weekly*, March 27, 2014, <http://www.ihs.com>.

existing and ageing Starburst system,” there was no procurement decision made in that case.¹⁵⁰ Beyond these anecdotal incidents, the search for a new MRCA to replace the MiG-29s is elaborated below to better describe the relative weakness of the force modernization as a driving factor for procurement.

Indeed, replacing the MiG-29 was a modernization requirement that the TUDM had sought to address since the late 2000s, particularly because the costs of operating and maintaining the aircrafts were escalating. As part of the process to select a new MRCA, the TUDM attempted to retire the MiG-29 in 2010, but this initiative had to be aborted. As it turned out, the Malaysian government subsequently reversed their position, deciding to extend the service life of eight MiG-29s till 2015, saying that it was less costly than investing in a replacement. Therefore, while the factor of force modernization to replace an existing platform that was approaching obsolescence had moved the MOD to initiate the arms procurement process, the factor was not strong enough to culminate in a replacement being procured. Indeed, the MiG-29 replacement program was deprioritized when compared against other competing demands, reflecting the relative strength of the resource availability and domestic politics factors.¹⁵¹

The trend of seeking to replace obsolete equipment reflects the prevalent, yet weak influence of the force modernization factor. Finally, this phenomenon was also observed by Sullivan, who suggests that ever since the arms procurement surge that occurred between 2000–2005, the declining priority on defense has led to Malaysia being “unable or unwilling to invest in a robust defense beyond inventory replacement.”¹⁵²

F. SUMMARY

The arms procurement trend of Malaysia can be described to have a surge of arms procurement in the 2000–2005 time span and generally restrained arms acquisitions ever since. Amidst the reduced levels of arms acquisition, which of the four factors have been

¹⁵⁰ Jon Grevatt, “Malaysian Navy Chief Urges Starburst Missile Replacement,” *Jane’s Defense Industry*, May 1, 2008, <http://www.ihs.com>.

¹⁵¹ Caffrey, “Malaysia Defence Budget.”

¹⁵² Sullivan, *Advancing U.S.-Malaysia Security Cooperation in a Changing Environment*, 6.

most prevalent? Based on the discussion, the strongest factor driving arms procurement in Malaysia is resource availability. Primarily borne out of the analysis of empirical data, the deeper trend observed was that the percentage share of GDP spent on defense has been on the decline, signaling a trend of de-prioritizing defense at a national level. Meanwhile, the domestic politics factor shows a mixed influence, with different effects for the three facets of domestic politics. Indeed, as much as corruption affects procurement decision-making, it is not apparent that it drives greater levels of procurement that would not have been made otherwise. For external threats, it is the unresolved territorial disputes at the intra-regional level that are most likely to drive the purchase of weapon systems. Finally, force modernization is a positive but weak factor in arms procurement for Malaysia.

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III. INDONESIA

This chapter will analyze how the four proposed causal relationships affect arms procurement in Indonesia in the years 2000–2015. Using the same approach as Chapter II, a review of Indonesia’s arms procurement record since the EAFC is first presented to highlight key combatants and capabilities that have been procured.

A. REVIEW OF ARMS PROCUREMENT

Indonesia’s average growth in defense spending was 9.1 percent since 2000—the largest growth amongst Southeast Asian countries since the EAFC.¹⁵³ This has resulted in sustained arms procurement for all three services, with Figure 5 providing an overview of arms acquisitions since 2000.

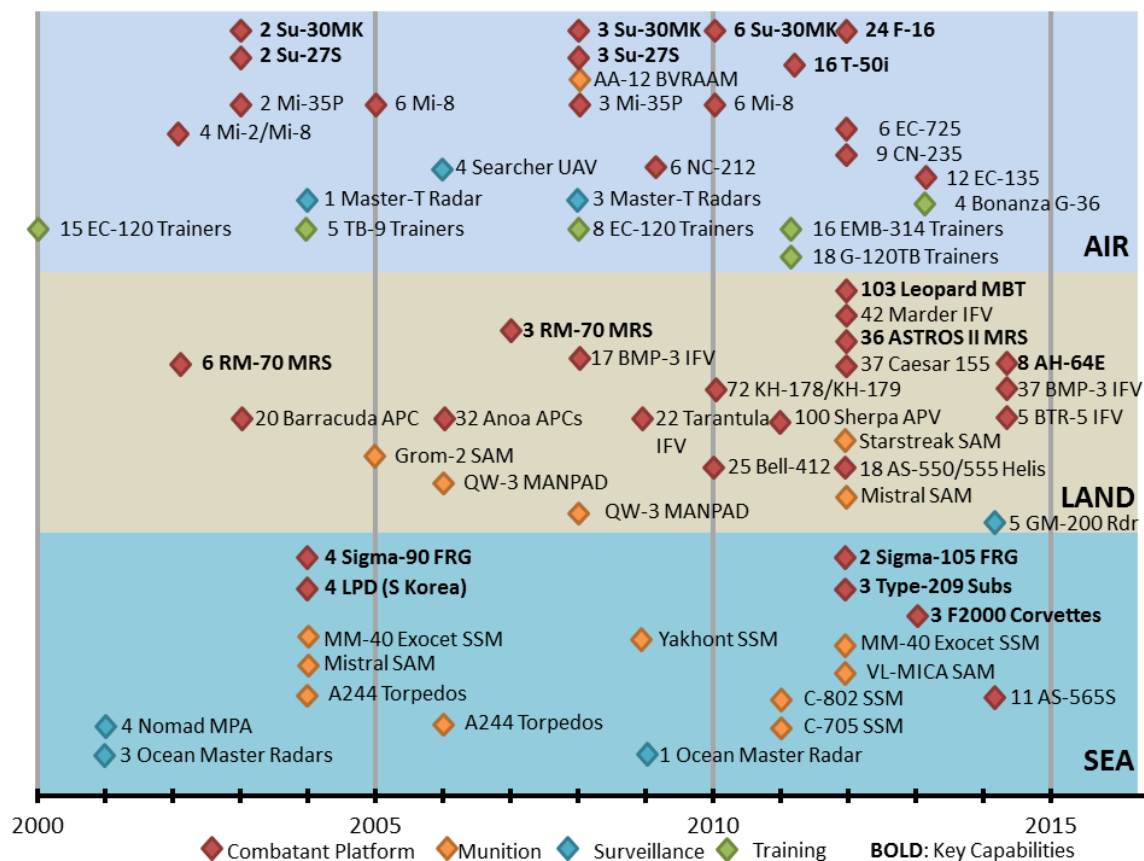
The immediate impression from Figure 5 is that the quantity of arms acquisitions conducted by Indonesia is visibly greater than that of Malaysia, quantified by the 66 arms purchases recorded as compared to 38 by Malaysia, underscoring the assessment that Malaysia has been restrained in the procurement of arms. The Tentara Nasional Indonesia (TNI) has added advanced fighter jets like the Su-27/30 and the F-16; land-based combat systems like the Leopard MBTs, ASTROS II MRSs, and AH-64E Apache Attack Helicopters; and Sigma frigates, Type-209 submarines and Landing Platform Docks for the navy. These systems introduced long-range power projection capabilities like the Sukhoi and MRS systems, as well as new capabilities like the submarines and the attack helicopters to the TNI, laying the foundation for a greater mix of capabilities. Three observations of TNI arms procurement trends since 2000 can be made.

First, in terms of temporal distribution, one can observe two periods of increased arms procurement: 2002–2004 and 2008–2012. While these peaks of defense procurement tie in with spikes in military expenditure to be discussed in Figures 6 and 7, it is highlighted that the two time periods reveal a change in focus areas. In the earlier 2002–2004 period, the purchase of eight naval vessels signaled an emphasis on the

¹⁵³ “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

maritime domain in comparison to the other services; whereas in the 2008–2012 time period, a broad-based approach was observed, with key combatants like advanced fighter jets, MBTs and submarines were purchased for all three services.

Figure 5. Indonesia: Main Arms Procurements since 2000



Adapted from “SIPRI Arms Trade Register,” Stockholm International Peace Research Institute, accessed May 16, 2015, http://armstrade.sipri.org/armstrade/page/trade_register.php; Jane’s IHS Database, Jane’s IHS, accessed May 25, 2015, <http://janes.ihs.com>.

Second, the TNI has been procuring a wide assortment of different systems, even within a specific weapon type. For instance, there were seven instances of Armored Personnel Carriers (APC) and IFV procurements from 2003–2014, sometimes in small quantities of twenty or less. Similarly, its fighter aircraft fleet now includes “a mixed cornucopia” of Russian Sukhois as well as American F-16s, with training conducted on

South Korean T-50is.¹⁵⁴ Besides the fact that this pattern of procurement drives up Operations and Maintenance (O&M) costs because of the need to stock a wide diversity of spare parts, acquisition funds would also be shunted towards O&M, undercutting arms procurement efforts. Indeed, in 2006, the TNI was already operating “173 different weapon systems from 17 different countries,” and the pattern of arms procurement after 2006 suggests that a similar situation still persists in the TNI.¹⁵⁵

Third, and most critical with respect to military effectiveness, there was significant augmentation to the TNI’s fleets of fighter aircraft and land armored vehicles. From 2008 to 2012, twelve Sukhois, 24 ex-USAF F-16 Block 52s, and sixteen South Korean T-50i jet trainers were purchased. This meant that the TNI-AU added 52 jet fighter class aircraft to their fleet of 48—more than doubling it in numbers and providing it with more modern capabilities. Similarly, the land arsenal saw the introduction of Leopard MBTs and attack helicopters in the form of the AH-64Es, the latest models of the Apache line—capabilities that were not present prior to 2012. This was combined with a significant order of MRSs, further augmenting the strike capability of the Indonesian Army (TNI-AD). In contrast, one could argue that maritime development appeared to be more restrained, for although five surface vessels (two Sigma-105 frigates and three ex-Bruneian corvettes) and three Type-209 submarines were ordered from 2012–2013, the overall quantity of Maritime Patrol Aircraft (MPA) and surface vessels is still significantly lacking in the context of the demands of trying to patrol a 740,000 square mile archipelago. Moreover, while two Sigma-105 frigates were added to the existing fleet of four Sigma-90 frigates, this was still significantly short of the initial target of “40 Sigma vessels to be procured by 2015,” suggesting that this aggressive rate of arms procurements were still short of that envisaged by the defense planners.¹⁵⁶

¹⁵⁴ “Rethinking TNI-AU’s Arms Procurement: A Long-Run Projection,” RSIS Policy Report, July 9, 2014, 9, https://www.rsis.edu.sg/wp-content/uploads/2014/09/PR_140709_Rethinking-TNI-AU.pdf.

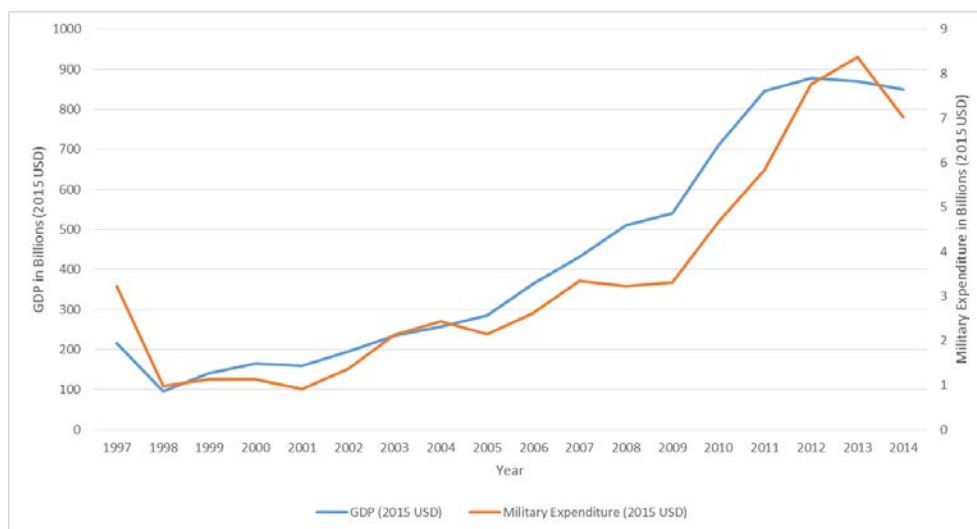
¹⁵⁵ Prashanth Parameswaran, “An Indonesian Defense Revolution under Jokowi?” *The Diplomat*, January 30, 2015, <http://thediplomat.com/2015/01/an-indonesian-defense-revolution-under-jokowi/>.

¹⁵⁶ Collin Koh, “Tough Times Ahead for the Indonesian Navy?” *The Diplomat*, August 18, 2015, <http://thediplomat.com/2015/08/tough-times-ahead-for-the-indonesian-navy/>.

B. RESOURCE AVAILABILITY

Analyzing the defense economics of Indonesia reveals that resource availability was a reasonably strong factor in driving the TNI arms build-up since 2000. This assessment is developed from two main observations.¹⁵⁷ First, there has been a strong correlation between the growth of Indonesian GDP and military expenditure, as shown in Figure 6. Before focusing on the defense outlays, one should first appreciate the magnitude of Indonesia's economic recovery after having suffered the "steepest depreciation of all the crisis currencies" during the EAFC.¹⁵⁸ Indeed, on the back of political and market reforms, Indonesia registered the strongest economic growth amongst Southeast Asian states. Its economy has grown an average of 13.3% annually since 2000–2014, with per capita GDP rising dramatically from \$790 to \$3,500.¹⁵⁹

Figure 6. Indonesia: GDP and Military Expenditure Post-EAFC



Adapted from "World Bank Database," World Bank, accessed May 27, 2015, <http://data.worldbank.org> and "SIPRI Military Expenditure Database," Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

¹⁵⁷ "World Bank Database," World Bank, accessed May 27, 2015, <http://data.worldbank.org>; "SIPRI Military Expenditure Database," Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database; Jane's IHS Database, Jane's IHS, accessed May 25, 2015, <http://janes.ihs.com>.

¹⁵⁸ Haggard, *Political Economy*, 65.

¹⁵⁹ "World Bank Database," World Bank, accessed May 27, 2015, <http://data.worldbank.org>.

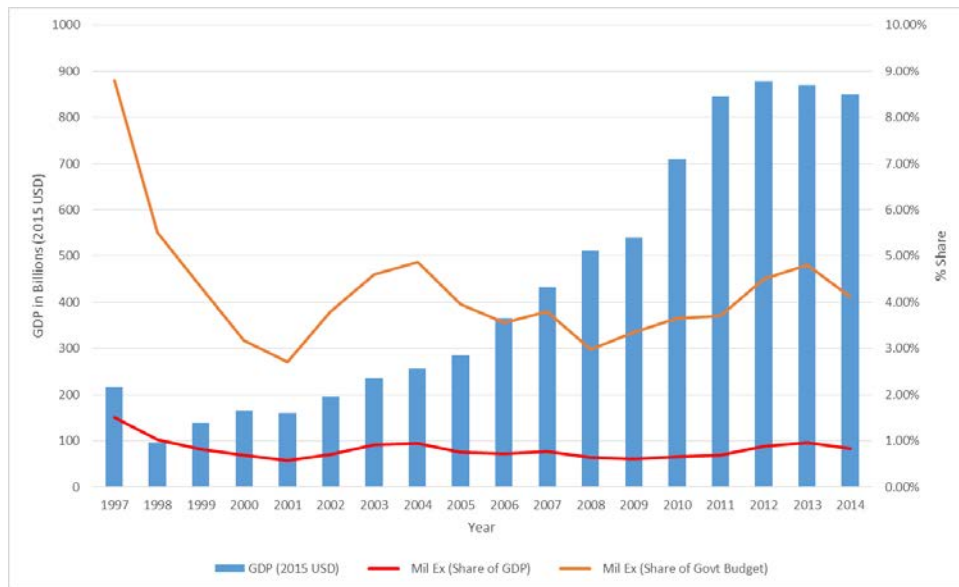
In tandem with the strong economic performance, the orange line on Figure 6 depicting military expenditure has been on an upward trend that has tracked closely to the GDP, showing that part of the resources arising from GDP growth has been directed to the TNI. The consistency of the correlation can also be observed as the slight decline in the GDP in 2013–2014 was also accompanied by a dip in military expenditure in 2014.

Second, while the Indonesian government has generally not prioritized defense highly as a share of GDP, it has made efforts to allocate greater proportions of the budget for defense on occasion. Looking first at the defense share of the GDP, indicated by the red line in Figure 7, it has maintained an average of 0.81 percent since the EAFC, revealing the low priority assigned to defense by the Indonesian government. The highest the Indonesian government spent was 0.95 percent and 0.96 percent in 2004 and 2013 respectively, but these were still short of 1 percent. Hence, despite the pledges made by President Susilo Bambang Yudhoyono to “increase defense spending to 1.5 percent of GDP by 2014,” no tangible results were achieved by that indicator.¹⁶⁰ Still, such a conclusion appears incongruent with respect to the prolific acquisition activities shown in Figure 5.

Instead, studying military expenditure as a share of the budget provides different insights, as it can be seen that there have been occasional efforts to spend more on the TNI. Specifically, in 2004 and 2013, there were peaks of 4.9 percent and 4.8 percent respectively, where the governments were able to push defense spending above its average of 3.9 percent of government spending in the years 2001–2014. These two peaks also correspond with the observed surges of procurements in 2002–2004 and 2008–2012 illustrated in Figure 5. Hence, even though defense spending did not exceed 1 percent of the GDP, the Indonesian government was making changes to increase military spending as a share of government spending, indicating attempts to prioritize defense when it was possible to do so. Additionally, when these allocations were increased, they manifested in increased arms procurement.

¹⁶⁰ Benjamin Schreer, “Moving Beyond Ambitions? Indonesia’s Military Modernization,” *ASPI Strategy*, November 2013, 16, https://www.aspi.org.au/publications/moving-beyond-ambitions-indonesias-military-modernisation/Strategy_Moving_beyond_ambitions.pdf.

Figure 7. Indonesia: Military Expenditure as a Share of GDP and National Budget



Adapted from “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org> and “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

Beyond this analysis of government budget allocation, two further aspects on Indonesian defense funding need to be clarified for a more comprehensive appreciation of the TNI’s situation. First, Mietzner, among other scholars, records how the TNI had “a long history of raising its own funds,” with units directed to “[set] up independent businesses and cooperatives that could help with the financing of military operations” since the 1950s.¹⁶¹ While these non-governmental funds appear to provide an alternative source of capital that could be funneled into arms procurement, this has not been the case. On the one hand, some studies have highlighted that the proportion of unofficial funding only accounts for about “1.5-3.0 percent of the government defense budget” instead of earlier estimates of up to 70 percent, as previous estimations calculated the gross revenues of the enterprises instead of just the net income.¹⁶² On the other hand, these

¹⁶¹ Marcus Mietzner, “Soldiers, Parties and Bureaucrats: Illicit Fund-Raising in Contemporary Indonesia,” *South East Asia Research* 16, no. 2 (2008): 227–29.

¹⁶² Lex Rieffel and Jaleswari Pramodhawardani, *Out of Business and on Budget: The Challenge of Military Financing in Indonesia* (Washington, D.C.: Brookings Institution Press, 2007), 7.

enterprises have been “local” in nature,¹⁶³ where military enterprises “lease land to private companies” and “charge private enterprises for security.”¹⁶⁴ Hence, even though TNI financial resources are more diverse than other militaries, these alternative channels do not contribute towards arms procurement, and they are thus not a relevant factor here.

Second, while the military enterprises have not contributed to arms procurement, “banks in France, Russia, and Switzerland have provided Jakarta with credit to purchase defense items,” making foreign loans an important source of alternative funding.¹⁶⁵ For example, “in 2007, Russia provided USD 1 billion in credit facilities that Indonesia used to purchase Sukhoi fighters,” hence, Jakarta had succeeded in getting “foreign suppliers to finance big ticket purchases.”¹⁶⁶ As such, the availability of alternative foreign funds can potentially help to close arms deals that therefore encourage acquisitions. Still, such deals are essentially loans, and Jakarta will eventually need to repay them. It was thus unsurprising that in 2011, President Yudhoyono called for KEMHAN¹⁶⁷ to “rely less on foreign loans,”¹⁶⁸ although this habit would take a while to wean off as the Leopard tanks purchased in 2012 were still financed through foreign loans.¹⁶⁹ Furthermore, “since 2013, about a dozen big banks” have moved to provide credit for about eight contracts for TNI equipment, reflecting the continued exploitation of foreign loans.¹⁷⁰

In all, despite the harder impact that the EAFC had on Indonesia, its admirable economic recovery has fueled increased military expenditure up until 2012–2013. Even if the acquisition patterns have resulted in an overly diverse collection of weapons systems,

¹⁶³ Mietzner, “Soldiers, Parties, and Bureaucrats,” 228.

¹⁶⁴ Craig Caffrey, “Indonesia Defence Budget,” *Jane’s Defence Budgets*, Updated May 05, 2015, <http://www.ihs.com>.

¹⁶⁵ Ibid.

¹⁶⁶ Ann Marie Murphy, “Strategic Posture Review: Indonesia,” *World Politics Review*, September 20, 2011, <http://www.worldpoliticsreview.com/articles/print/10066>.

¹⁶⁷ *Kementrian Pertahanan Republik Indonesia* (KEMHAN) is Indonesia’s Ministry of Defence.

¹⁶⁸ Jon Grevatt, “Jakarta Aims to Reduce Reliance on Foreign Loans,” *Jane’s Defense Weekly*, January 28, 2011, <http://www.ihs.com>.

¹⁶⁹ Jon Grevatt, “Indonesia Turns to Germany in Bid to Acquire Leopard 2A6 Tanks,” *Jane’s Defense Industry*, July 3, 2012, <http://www.ihs.com>.

¹⁷⁰ “Procurement: Indonesia,” *Jane’s Sentinel Security Assessment – Southeast Asia*, updated July 23, 2015.

the very act of completing arms purchases is the relevant point here. For the moment, the government remains optimistic in pledging to support increased defense spending, and the current administration makes a similar pledge to increase the defense share of GDP to 1.5 percent, with a renewed timeline of 2019.¹⁷¹

C. DOMESTIC POLITICS

This section will argue that domestic politics is an important driver for Indonesian arms procurement, although the three themes outlined in the introduction may act on the causal relationship in different ways. First, fluctuations of the military share of the government budget in Figure 7 shows that government spending allocation is hotly contested and the TNI is vulnerable to competing government priorities, meaning that it is not always able to dictate higher levels of military funding. In 2013, the Indonesian government allocated 33.2 percent of its budget to social development infrastructure such as housing, education, health, and social protection, which was more than six times the amount allocated to defense.¹⁷²

Such contestation should not come as a surprise given the military reforms that were undertaken to try to remove the TNI from its *'dwifungsi'* role in politics of the New Order. However, many observers point out that the TNI actually remains an important political player because military reforms have failed to “eliminate remaining reserves of military power,” illustrated by the revival of the TNI-AD territorial command, the persistence of military businesses, and the “failure to civilianize the defense bureaucracy.”¹⁷³ In each of these three areas, the TNI retained a “latent” power in holding on to levers of political influence.¹⁷⁴ First, the “reactivation of the military

¹⁷¹ Jon Grevatt, “Indonesia Commits to Ambitious Defence Budget Increase,” *Jane’s Defence Industry*, April 29, 2015, <http://www.ihs.com>.

¹⁷² International Monetary Fund, IMF eLibrary Data, accessed October 1, 2015. <http://data.imf.org>.

¹⁷³ Edward Aspinall, “The Irony of Success,” *Journal of Democracy* 21, no. 2 (2010): 24.

¹⁷⁴ Evan Laksmana, “The Hidden Challenges of Indonesia’s Defence Modernization,” *Indonesian Defence* 34, no. 3 (2014): 19.

territorial command” in 2005¹⁷⁵ “not only anchored the military deeply in local politics, but also allowed it to raise funds at all levels of Indonesia’s civilian administration.”¹⁷⁶ Second, the failure of President Yudhoyono to follow through with reforms to close down military businesses “bolstered the (TNI’s) fiscal independence.”¹⁷⁷ Third, the fact that the KEMHAN remains “overwhelmingly staffed with military officers,” topped off with the introduction of “the new post of deputy minister” staffed by “an influential active duty military officer,” also reflects the pervasive presence of the military in the purportedly civilian KEMHAN.¹⁷⁸

The apparent perpetuation of TNI’s involvement in politics presents a conundrum, as if the TNI has held on to substantial political leverage, why have they not won greater allocations of the budget for defense spending? Two reasons are at play here. First, KEMHAN has not been able to function as a coordinated and centrally-rationalized institution. Indeed, the KEMHAN has been described as simply collating the “shopping list of the individual services” in lieu of a “procurement process,” reflecting that it has not been able to drive the TNI arms build-up in a meaningful manner.¹⁷⁹ Second, the TNI has had to compete with the POLRI (Indonesian National Police), their rival security institution which was carved out of the ABRI¹⁸⁰ after the fall of the New Order. As it turned out, law enforcement activities secured about half of what defense institutions were allocated at the national level.¹⁸¹ Even in the realms of alternative funding, the POLRI has also developed an “entrepreneurial impulse” and it has attracted some of the

¹⁷⁵ Susanne Burford, “An Increasing Role for the TNI in Indonesian Security Policy,” *Proceedings of the 16th Biennial Conference of the Asian Studies Association of Australia*, Wollongong, Australia, June 2006, 1.

¹⁷⁶ Mietzner, “Soldiers, Parties, and Bureaucrats,” 232.

¹⁷⁷ Jacqui Baker, “Professionalism Without Reform: the Security Sector under Yudhoyono,” in *The Yudhoyono Presidency: Indonesia’s Decade of Stability and Stagnation*, eds Edward Aspinall, Marcus Mietzner, and Dirk Tomsa (Singapore: Institute of Southeast Asian Studies, 2015), 124.

¹⁷⁸ Aurel Croissant, David Kuehn, and Philip Lorenz, *Breaking with the Past? Civil-Military Relations in the Emerging Democracies of East Asia* (Honolulu, HI: East-West Center, 2012), 38.

¹⁷⁹ Laksmana, “Hidden Challenges,” 18.

¹⁸⁰ During the New Order, the Angkatan Bersenjata Republik Indonesia (ABRI) (Republic of Indonesia Armed Forces) was formed from the original TNI and the POLRI. After the New Order, reforms led to separation of the ABRI back to the TNI and the POLRI as separate entities.

¹⁸¹ International Monetary Fund, IMF eLibrary Data, accessed October 1, 2015. <http://data.imf.org>.

“ethnic Chinese capital” that was once “earmarked exclusively for the military.”¹⁸² Indeed, President Yudhoyono’s “failure to reform police and military businesses” also “bolstered the two institutions’ fiscal independence.”¹⁸³ Therefore, contestation for funding at multiple levels is an important facet of domestic politics that influences how funds are obtained for arms acquisitions. The contest is an on-going tussle, as recent moves by the TNI towards “regaining some of the internal security responsibilities” suggest efforts to justify wresting resource allocations from the POLRI.¹⁸⁴

The second broad aspect of domestic politics relates to corruption, which has influenced how arms are procured in the TNI, without actually driving increased levels of procurements. Indonesia has not fared well in corruption assessments, ranking 107th out of 175 nations according to the 2014 Corruption Perceptions Index.¹⁸⁵ Focusing specifically at Defense, Transparency International’s 2012 Government Defense Anti-Corruption Index places Indonesia in the second-worst category of “Very High Risk,” highlighting concerns about “pervasive and poorly controlled use of agents, a lack of transparency surrounding financing packages, and weak control of subcontractors.”¹⁸⁶ These rankings are further substantiated as corruption has been acknowledged by ex-DM Sudarsono, who claimed that “up to 40 percent of procurement proposals could be mark-ups.”¹⁸⁷ Additionally, KEMHAN audits have also “found rampant irregularities,” including the alleged overspending of “some \$134.9 million in the procurement of a Multiple Launch Rocket System (MLRS) worth \$405 million” in 2012.¹⁸⁸ Even the purchase of 24 ex-USAF F-16s in 2011 was based on the advice of an influential

¹⁸² Jacqui Baker, “The Parman Economy: Post-Authoritarian Shifts in the Off-Budget Economy of Indonesia’s Security Institutions,” *Indonesia* 96, no. 1 (2013): 148.

¹⁸³ Baker, “Professionalism without Reform,” 124.

¹⁸⁴ Institute for Policy Analysis of Conflict, “The Expanding Role of the Indonesian Military,” *IPAC Report*, no. 19 (May 25, 2015): 1.

¹⁸⁵ Transparency International, “2014 Corruption Perceptions Index,” accessed on October 1, 2015, <https://www.transparency.org/cpi2014/results>.

¹⁸⁶ Transparency International, “Government Defense Anti-Corruption Index,” <http://government.defenceindex.org/>.

¹⁸⁷ Supriyanto, “Indonesia’s Naval Modernisation: A Sea Change?”

¹⁸⁸ Nani Afrida and Ina Parlina, “Don’t Buy Used Jets: Air Chief,” *The Jakarta Post*, April 17, 2015, <http://www.thejakartapost.com/news/2015/04/17/don-t-buy-used-jets-air-chief.html>.

“middleman.”¹⁸⁹ These fairly-recent incidents attest to the fact that corruption remains closely associated with arms procurements, and efforts to combat corruption have had limited success.¹⁹⁰

Similar to Malaysia, there is no evidence that the presence of corruption has led to increased arms procurement for the TNI, but corruption has instead influenced the choice and quantity of arms acquired. On the one hand, Schreer notes that “corruption continues to create incentives for various interest groups in and outside the TNI to continue buying overseas,” forcing the usage of foreign currency.¹⁹¹ On the other hand, the larger implication of marked-up arms acquisition is that it potentially reduces the overall quantity of arms that can be procured. Such “corruption-driven acquisition of weapon systems delinked from defense policy and strategic requirements” can sap limited financial resources and negatively impact the objectives of arms procurement efforts.¹⁹²

The third facet of domestic politics relates to the desire for national prestige. Indonesia has traditionally been the biggest polity in ASEAN, accounting for more than 40 percent of ASEAN’s population and land area, and its founding role in the creation of ASEAN adds further credence to its mentality that it should have the prestige associated with that of a regional leader. In this light, it can be appreciated why analysts have opined that “the scale and scope of Indonesia’s arms deals...suggests that the country is pursuing an ambitious drive to become a major power in the Indo-Pacific region.”¹⁹³ At the moment, the prospects of Indonesia attaining the power and status of regional powers like China and India are still poor at this stage, as Schreer points out that Indonesia often “conflates new shiny equipment with real military capability.”¹⁹⁴ Still, this comment is

¹⁸⁹ Afrida and Parlina, “Don’t Buy Used Jets.”

¹⁹⁰ “Procurement: Indonesia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

¹⁹¹ Schreer, “Moving Beyond Ambitions?” 28.

¹⁹² Ron Matthews, Curie Maharani, and Fitriani, “Challenges Ahead for Indonesia’s First Defense Offset Policy,” *Defence Review Asia* 6, no. 3 (May 2012), <http://www.defencereviewasia.com/articles/161/Challenges-Ahead-for-Indonesia-s-First-Defence-Offset-Policy>.

¹⁹³ Laksmana, “Hidden Challenges,” 18.

¹⁹⁴ Schreer, “Moving Beyond Ambitions?” 29.

probably unfair as it is more likely the case that Indonesia has prioritized the symbolic effect of arms procurements instead of the simplistic conflation charged by Schreer.

To that end, the two most commonly raised examples of symbolic purchases relate to the TNI's efforts to procure submarines and MBTs. Recalling Boyd's comment that some ASEAN nations including Indonesia had a "tendency to put image ahead of practicality," he argued that the "shallow waters" in the region required "light patrol craft" instead of submarines.¹⁹⁵ By the same token, Jane's also observes that "the fact that other Southeast Asian nations are in the process of acquiring submarines appears to have sufficiently politicized the issue to persuade the government to press ahead" with acquiring submarines.¹⁹⁶ As for the MBTs, Yohanes Sulaiman from the Indonesian Defense University quipped that the defense establishment seemed to reason that since the "other countries have these shiny tanks, we should have them too."¹⁹⁷ Indeed, other than questions about the suitability of using such heavy tanks in Indonesia's archipelagic geography, the fact that "the tanks delivered are believed to not include fire-control systems" truly buttresses the notion that it was more important to parade a shiny new MBT for appearances only.¹⁹⁸

In all, the procurement of symbolic weapons like the submarines, MBTs, and other systems like the "very expensive 'airborne MBT'" in the AH-64E, reflect the degree that the desire for regional prestige is a driver of arms purchases.¹⁹⁹ At the same time, the desire for regional prestige should also be seen in the context of Indonesia's larger ambitions of regional leadership, as well as the significant challenges the TNI faces in enforcing territorial integrity.

Taken as a whole, the domestic politics factor is significant for Indonesian arms procurement, although the facets of budget contestation, corruption, and prestige can

¹⁹⁵ Boyd, "ASEAN's Military Buildup Threatens Detente with China."

¹⁹⁶ "Procurement: Indonesia," *Jane's Sentinel Security Assessment – Southeast Asia*.

¹⁹⁷ "Indonesia's Army: Seeking a Modern Role," *The Economist*, March 30, 2012, <http://www.economist.com/blogs/banyan/2012/03/indonesias-army>.

¹⁹⁸ "Procurement: Indonesia," *Jane's Sentinel Security Assessment – Southeast Asia*.

¹⁹⁹ Schreer, "Moving Beyond Ambitions?" 25.

work in opposing ways. Indeed, contestation for budget resources reflects the importance for the TNI to hold on to its political influence if it is to continue procuring more weapons. Yet, the endemic corruption tends to divert those resources into the hands of middlemen, inflating prices that crowd out other purchases. Finally, the persuasive instincts of regional leadership have demonstrably driven arms procurements towards shiny equipment even if they may not be operationally useful.

D. EXTERNAL THREATS

Indonesia's unique position as the largest Southeast Asian nation and its ambitions to be a regional leader create a different set of dynamics in their external threat context.

1. Intra-Regional Threats

Before analyzing whether unresolved disputes or threat perception could have driven arms procurement for the TNI, it is useful to consider some characteristics of Indonesian foreign policy. First, Indonesian foreign policy can be described as being less rooted in realism than in liberalism, as "Indonesia puts a lot of faith in the ability of ASEAN to prevent the outbreak of conflicts and to contain bilateral frictions."²⁰⁰ Indeed, beyond ASEAN, Indonesia has also engaged in active defense diplomacy, in an effort to "reduce the country's security dependence and expand its strategic partnerships."²⁰¹ Second, while the maintenance of internal security continues to be important, it has become apparent that "the international environment facing Indonesia is becoming increasingly complex."²⁰² As a result, there is increasing recognition of the need to build "balanced...armed forces" to address potential foreign policy issues.²⁰³ Given the nature

²⁰⁰ Dewi Fortuna Anwar, "Indonesia: Domestic Priorities Define National Security," in *Asian Security Practice: Material and Ideational Influences*, ed. Muthiah Alagappa (Stanford, CA: Stanford University Press, 1998), 511.

²⁰¹ Iis Gindarsah, "Indonesia's Defense Diplomacy: Harnessing the Hedging Strategy Against Regional Uncertainties," *RSIS Working Paper*, no. 293 (June 9, 2015), 16. <http://hdl.handle.net/10220/25882>.

²⁰² Murphy, "Strategic Posture Review: Indonesia."

²⁰³ Rizal Sukma, "Indonesia's Security Outlook and Defense Policy 2012," *Joint Research Series 5, Asia Pacific Countries' Security Outlook and Its Implications for the Defense Sector* (Tokyo: National Institute for Defense Studies, 2010), 15.

of Indonesian foreign policy, this section moves to discuss regional threat perceptions and unresolved disputes in turn.

Despite the increasing complexity of the international environment, regional threat perceptions are not a significant challenge for Indonesia, for two reasons. First, Indonesia's archipelagic make-up means that "a land invasion of Indonesia is extremely unlikely," even as it "compounds the TNI's challenge to control its vast territorial waters" and "airspace."²⁰⁴ Second, "Indonesia has enjoyed a relatively benign security environment" that has been built upon the "cooperative multilateral processes [of] ASEAN."²⁰⁵ This peaceful outlook has also been expressed in the 2008 Defense White Paper that "foresees no external military threat in the next 15 years," and this is manifested by the perception that "Indonesia is distinctly lacking in hard-power assets."²⁰⁶ Indeed, although Malaysia remains the primary rival for regional leadership and Singapore continues to pester Indonesia on transboundary issues like haze and piracy in the Malacca Straits, these neighbors do not represent military threats.

Similar to Malaysia, the more tangible foreign policy issue which may drive arms procurement relates to unresolved territorial disputes. As of 2012, "Indonesia still has over ten unresolved maritime boundary disputes with neighboring states,"²⁰⁷ with only one dispute resolved with Singapore in 2014 since then.²⁰⁸ The most prominent disputes, however, have been with Malaysia. In 2002, Indonesia lost an ICJ ruling for sovereignty over Ligitan and Sipadan in the Celebes Sea. The ignominy of this 'defeat' led to a determination by Indonesia to more strongly assert its claim for the nearby Ambalat Block, rather than leaving its territorial claim in the hands of an independent court. This stance led to both nations deploying military vessels, resulting in one ship being damaged amidst an escalation of events in 2005.²⁰⁹ Elsewhere, land border disputes with Malaysia

²⁰⁴ Schreer, "Moving Beyond Ambitions?" 13.

²⁰⁵ Sukma, "Indonesia's Security Outlook and Defense Policy 2012," 3.

²⁰⁶ Murphy, "Strategic Posture Review: Indonesia."

²⁰⁷ Supriyanto, "Indonesia's Naval Modernisation: A Sea Change?"

²⁰⁸ "Indonesia, Singapore: Maritime Border Pact Signed," Library of Congress, accessed September 8, 2015, http://www.loc.gov/lawweb/servlet/lloc_news?disp3_l205404119_text.

²⁰⁹ Caffrey, "Indonesia Defence Budget."

in Camar Bulan in Kalimantan have also led to sensitive escalation of tensions, even though there were actually “few cases of border violations between Indonesia and Malaysia in 2011.”²¹⁰

Have these territorial disputes driven arms procurement? When considering the time periods of the territorial spats and the arms acquisitions, no distinct pattern can be discerned. For instance, while one could potentially link the 2004 buys of the Sigma-90 frigates and Landing Platform Decks (LPDs) to the loss of Sipadan and Ligitan in 2002, there was no evidence supporting that hypothesis. Additionally, after tensions rose in 2005 in the Ambalat, there was no significant maritime procurement made until 2012, as shown in Figure 5.

Therefore, although the Indonesian arms build-up from 2000–2015 was the most significant in scale compared to Malaysia or Singapore, these procurements have not been related to concerns over territorial disputes or regional threat perceptions. While Indonesia is cognizant that the increasing complexity of the international environment would still require a reasonable defense force, the build-up of this force has not been driven by isolated disputes or an underlying regional threat perception.

2. Extra-Regional Threats

This section argues that the rise of China was not the driving factor for significant Indonesian arms procurement efforts. Instead, Beijing’s actions in the SCS created uncertainties about the EEZ off the Natunas Islands, and such concerns have not dampened arms procurement activities that were already underway. This section will examine the issue from two perspectives: Sino-Indonesian foreign relations and Indonesia’s military response to the SCS dispute.

Indonesian scholar Rizal Sukma considers Indonesia’s management of “its relations with the People’s Republic of China (to be) one of the most difficult challenges in Indonesian Foreign Policy,” reflecting the tension between seeking the economic benefits of a relationship with China and worrying about the uncertainties regarding

²¹⁰ Sukma, “Indonesia’s Security Outlook and Defense Policy 2012,” 8.

China's regional intentions.²¹¹ Indonesia's relations with China are plagued with distrust rooted in Chinese support for the PKI (Communist Party of Indonesia) and the legacy of Indonesia's bloody crackdown on the PKI in 1965, leading to more than twenty years of frozen bilateral ties until its restoration in August 1990.²¹² Ironically, it was only in the wake of more severe anti-Chinese protests during the EAFC that relations took on a positive trajectory as both Beijing and Jakarta managed to prevent the protests from "getting out of control."²¹³ As such, even though the two nations have upgraded the status of their relationship to being Comprehensive Strategic Partners in 2013, Sino-Indonesian relations have not quite reached the same 'special' status as that of Sino-Malaysian relations.²¹⁴

Despite the complex tenor of their bilateral relationship, both countries have nevertheless seized the economic opportunities that have emerged, with China becoming Indonesia's largest global trading partner, accounting for 28.4 percent of Indonesia's trade activity.²¹⁵ In fact, bilateral trade in 2013 was USD 22.6 billion, an impressive six-fold increase since 2003.²¹⁶ Unfortunately, the bustling economic relationship is also marked by difficulties, as it is becoming more apparent that the bilateral trade imbalance has been favoring China, with Beijing only investing "because of their interests in the energy sector," which has also generated "less employment opportunities in comparison with investments in the manufacturing sector."²¹⁷ Worse, "only 6 percent of Chinese

²¹¹ Rizal Sukma, "Indonesia's Response to the Rise of China: Growing Comfort amid Uncertainties," *Joint Research Series 4, The Rise of China: Responses from Southeast Asia and Japan* (Tokyo: National Institute for Defense Studies, 2009), 140.

²¹² *Ibid.*, 142.

²¹³ *Ibid.*, 144.

²¹⁴ Ningzhu Zhu, "Chinese, Indonesian Presidents Agree to Lift Ties to Comprehensive Strategic Partnership," *Xinhua*, October 2, 2013, http://news.xinhuanet.com/english/china/2013-10/02/c_132768806.htm.

²¹⁵ Gabriel Domínguez, "Indonesia 'In a Bind' Over Beijing's Assertiveness in South China Sea," *Deutsche Welle*, April 21, 2015, <http://www.dw.com/en/indonesia-in-a-bind-over-beijings-assertiveness-in-south-china-sea/a-18396195>.

²¹⁶ Makmur Keliat, "Brief Notes on Sino-Indonesian Economic Relations," *Jakarta Post*, November 11, 2014, <http://www.thejakartapost.com/news/2014/11/11/brief-notes-sino-indonesian-economic-relations.html>.

²¹⁷ *Ibid.*

investment in Indonesia had actually materialized,” causing President Jokowi to “bluntly [state] that he wanted the relationship to ‘materialize into more concrete outcomes’... in trade and investment.”²¹⁸ Recently, in May 2015, Jokowi took the further step of deciding to sink one Chinese vessel that had been caught for illegal fishing in 2009, an act calculated to communicate resolve to the Chinese as Indonesia had initially delayed sinking Chinese vessels for fear of offending Beijing.²¹⁹

With this backdrop of the tenuous Sino-Indonesian relationship, it is in the maritime domain where bilateral ties have sunk the deepest. Although Indonesia is not one of the claimants in the SCS territorial dispute, Jakarta has had to seek clarifications from Beijing regarding “why [China] included Indonesia’s rich Natunas gas field in its maps of claims to a broad swath of the SCS” since as early as 1994.²²⁰ China never formally replied and hence, Jakarta was understandably up in arms when Beijing formally submitted their “nine-dashed lines” claim for the first time to the United Nations in 2009, still including part of the Indonesian EEZ off the Natunas Islands.²²¹ With “one of the world’s largest offshore gas fields”²²² at stake, Indonesia’s repeated attempts to diplomatically clarify China’s intentions since 2010 were still unsuccessful.²²³ Indonesia also took offence at the Chinese declaration of an Air Defense Identification Zone (ADIZ) over the East China Sea in 2013, warning that Indonesia would “not accept a

²¹⁸ Prashanth Parameswaran, “China and Indonesia under Jokowi: Show Me the Money,” *The Diplomat*, January 28, 2015, <http://thediplomat.com/2015/01/china-and-indonesia-under-jokowi-show-me-the-money/>.

²¹⁹ Tama Salim, “RI Flexes Muscle, Sinks Chinese Boat, a Big One,” *The Jakarta Post*, May 20, 2015, <http://www.thejakartapost.com/news/2015/05/20/ri-flexes-muscle-sinks-chinese-boat-a-big-one.html>.

²²⁰ Donald Zagoria, “Joining ASEAN,” in *Vietnam Joins the World*, eds. James W. Morley and Masashi Nishihara (Armonk, NY: M.E. Sharpe, 1997), 159.

²²¹ Carlyle Thayer, *Southeast Asia: Patterns of Security Cooperation* (Barton, AU: Australian Strategic Policy Institute, 2010), 34.

²²² Pai Ching Koong, *Southeast Asian Countries’ Perceptions of China’s Military Modernization* (Washington, D.C.: Elliott School of International Affairs, 1999), 10.

²²³ Andrew Marshall, “Remote, Gas-Rich Islands on Indonesia’s South China Sea Frontline,” *Reuters*, August 25, 2014, <http://www.reuters.com/article/2014/08/26/us-southchinasea-indonesia-natuna-insigh-idUSKBN0GP1WA20140826>.

similar zone if it [was] adopted in the SCS.”²²⁴ Indonesia’s progressively more cynical view was exemplified by then-TNI Commander General Moeldoko’s comment that, “everyone has an opinion that China is a threat to the neighborhood,” one of the first public statements referring to China as a threat.²²⁵

The second perspective to analyze the gravity of China’s threat is to consider Indonesia’s military responses to China’s actions in the SCS. With China stonewalling Jakarta’s attempts to clarify how the “nine-dashed lines” affect Indonesia’s EEZ,²²⁶ the TNI has responded through the increased deployment of military forces to the Natunas. Key assets planned to be based at the Natunas include half of its new fleet of AH-64E Apache helicopters,²²⁷ together with F-16s and Sukhois on the Ranai Airbase that was being upgraded—a significant increase in the forward deployment of forces.²²⁸ Beyond the deployment of forces as a show of resolve, has Indonesia reacted to China by the procurement of arms depicted in Figure 5? If this had occurred, one should find the procurement of maritime awareness assets, force projection platforms, and responsive show of presence capabilities as a response to China.

A study of TNI’s procurements will show attempts to invest in all three areas. To enhance its maritime awareness capability, platforms that have been procured include four used Australian Nomad Searchmaster MPA and Ocean Master radars in 2001, and four Sigma-90 frigates between 2004 and 2005. To augment these basic capabilities, a higher rate of procurement was observed post-2008, with an additional CN-235 MPA, two Sigma-105 frigates, and three Type-209 submarines in 2012, followed by three ex-

²²⁴ Jack Greig, “The Next South China Sea Crisis: China vs. Indonesia?” *The National Interest*, May 23, 2014, <http://nationalinterest.org/blog/the-buzz/the-next-south-china-sea-crisis-china-vs-indonesia-11342>.

²²⁵ Domínguez, “Indonesia ‘In a Bind’ Over Beijing’s Assertiveness in South China Sea.”

²²⁶ Ibid.

²²⁷ Ridzwan Rahmat, “Indonesia to Deploy Four Apache Helicopters on Natuna Islands, Begins Pilot Training,” *Jane’s Navy International*, March 27, 2014, <http://www.ihs.com>.

²²⁸ James Hardy, Ridzwan Rahmat, and Rukmani Gupta, “Tracking the South China Sea Territorial Dispute (Part 2): Military Capabilities and Strategic Outlook,” *Jane’s Aerospace, Defense, and Security*, May 2015, 46, <http://www.ihs.com>.

Bruneian Yarrow F2000 corvettes in 2013.²²⁹ For force projection, the TNI ordered four South Korean LPD multirole vessels in 2004. These Makassar class vessels are designed to carry 507 troops, 13 combat vehicles, and two helicopters, creating the capability to project forces across the archipelago.²³⁰ Airlift assets were also improved, with six NC-212s ordered in 2009, six C-212s and nine CN-295s in 2012, and four ex-RAAF C-130s in 2013, providing a 90 percent increase in air lift capacity.²³¹ In addition, helicopter assets were augmented with six Mi-17 in 2005 and six EC-725 in 2012.

Finally, when considering fighter aircraft for the show of presence, the TNI-AU started slowly with the ad-hoc purchase of just four Sukhois (two Su-27 and two Su-30) through a barter trade by President Megawati in 2008.²³² However, the pace increased significantly with six Sukhois each in 2008 and 2012, and 24 ex-USAF F-16 Block 52s in 2012. These acquisitions of fighter-class aircraft more than doubled the size of its fleet, although these assets would need to be dispersed across the archipelago.²³³

In terms of operational capabilities, the acquisitions outlined here appear to match attempts to build up against China, however, they were executed before key Chinese moves in the SCS, suggesting that they were not caused by efforts to balance against China. Indeed, the big wave of arms procurement in Indonesia started in 2008, before Beijing's formal submission of the "nine-dashed lines" in 2009. Even though Jakarta was aware of China's claim of the extensive areas since 1994, the "nine-dashed lines" were never formally promulgated and the issue was effectively put on the backburner for some years. Furthermore, initial negotiations for the purchases of 2008 would have started some years before that, making them less likely to be driven by specific concerns about China. While Indonesia could have observed the rise of Sino-Vietnamese tensions that

²²⁹ "SIPRI Arms Trade Register," Stockholm International Peace Research Institute, accessed May 16, 2015, http://armstrade.sipri.org/armstrade/page/trade_register.php.

²³⁰ LPD Makassar/Banjarmasin Classes, Global Security.org, accessed May 20, 2015, <http://www.globalsecurity.org/military/world/indonesia/lpd-makassar.htm>.

²³¹ *Jane's World Air Forces*, "Indonesia – Air Force," accessed June 11, 2015.

²³² Matthews, Maharani, and Fitriani, "Challenges Ahead for Indonesia's First Defense Offset Policy."

²³³ The TNI-AU listed 16 F-5s, 20 Hawk Mk-53s, 8 F-16s, 2 Su-27s and 2 Su-30s, totaling 48 aircraft in 2007. Jon Grevatt, "Indonesian Air Force Shortlists for Hawk, Tiger Replacements," *Jane's Defence Industry*, July 13, 2007, <http://www.ihs.com>.

began in 2007 and decided to arm up pre-emptively,²³⁴ such concerns—if any—did not manifest in other supporting diplomatic actions like those after the 2009 submission. Finally, with the “nine-dashed lines” made official, there was no incentive to slow down the arms build-up that was already in motion. As such, key maritime capabilities were procured in 2012–2013 with five vessels, three submarines and an additional MPA. This view is echoed by Gindarsah, who contends that Indonesia has since had to “recalibrate ‘low-intensity balancing’ measures” that include seeking to improve “military logistical capabilities” and “early warning systems”—but such efforts have yet to materialize.²³⁵

To summarize, Indonesia does not consider China as a security concern that because the threat that China might seek to “destabilize Indonesia [is] long gone.”²³⁶ Still, Beijing’s protracted “nine-dashed lines” claim forces Jakarta to take preventive military measures in terms of beefing up deployments on the Natunas, and sustaining arms procurement efforts that had been in progress, with the augmentation of maritime capabilities in 2012–2013 being a key effort. Hence, as far as balancing against external threats are concerned, Indonesia’s arms procurements are more driven by extra-regional threats with respect to the SCS, rather than intra-regional concerns.

E. FORCE MODERNIZATION

Force Modernization is an often-cited reason to explain the impressive quantum of arms procurement as depicted in Figure 5, suggesting that it has at least been a moderate driver for arms procurement in Indonesia. On the one hand, it is a strong factor given the evidence of the need for modernization and the rhetoric of TNI commanders. Yet, on the other hand, the strength of force modernization as a driving factor is moderated by the fact that there are usually other motivating factors in place and that some of the procurements do not seem intended to produce modernizing outcomes—undermining the strength of the force modernization factor.

²³⁴ Paul J. Bolt, “Contemporary Sino-Southeast Asian Relations,” *China: An International Journal* 9, no. 2 (2011), 285.

²³⁵ Iis Gindarsah, “Indonesia and the South China Sea: A Two-Fold Strategy,” *RSIS Commentary*, no. 158 (July 27, 2015): 3.

²³⁶ Sukma, “Indonesia’s Response to the Rise of China,” 152.

The need for force modernization of the TNI was most prominently laid bare by the Tsunami of 2004, which publicly “exposed” the “outdated, ill-equipped, and demoralized” state of the TNI, but there were also other signs revealing the need to modernize the TNI for the purposes of obsolescence-prevention and maintaining operational readiness.²³⁷ On fleet obsolescence, less than half of the 213-ship TNI-AL fleet was “deemed seaworthy” due to their age.²³⁸ Similarly, a 2014 study highlighted that more than 50 percent of the TNI-AU’s aircraft had been in service for more than 20 years.²³⁹ Meanwhile, on operational readiness, the “average readiness of TNI’s armaments [were] measured” to be “approximately 30–80 percent” in 2007, with much of the equipment “not regularly maintained and... lack[ing] operational readiness and reliability.”²⁴⁰ In all, these indicators paint a picture of a TNI justifiably in need of arms procurement if just for the sake of maintaining an operational fleet.

This long-established need to procure arms to equip the TNI was the basis for the cost-prudent Minimum Essential Force (MEF)—a target that President Yudhoyono launched in 2005—to be achieved by 2024. The MEF aims to provide “a force level that can guarantee the attainment of immediate strategic defense interests, with the procurement priority given to the improvement of minimum defense strength and/or the replacement of outdated main weapons systems/equipment.”²⁴¹ The MEF is inherently prudent in nature, as its policy is such that “procurement priority (should be) given to the improvement of *minimum* defense strength and/or the replacement of outdated main weapons systems/equipment,” underscoring the premise that it was not fiscally realistic to equip the TNI to a 100 percent of what it was envisaged to accomplish.²⁴² This prudence was manifested when most of the TNI-AU “procurements were either second-hand or

²³⁷ “Indonesia’s Army: Seeking a Modern Role,” *The Economist*.

²³⁸ Schreer, “Moving Beyond Ambitions?” 18.

²³⁹ “Rethinking TNI-AU’s Arms Procurement: A Long-Run Projection,” *RSIS Policy Report*, 4.

²⁴⁰ Leonard C. Sebastian and Iis Gindarsah, “Assessing Military Reform in Indonesia,” *Defense & Security Analysis* 29, no. 4 (2013): 299–301.

²⁴¹ Sukma, “Indonesia’s Security Outlook and Defense Policy 2012,” 4.

²⁴² *Ibid.*

that of refurbished platforms,”²⁴³ exemplified by the 24 ex-USAF F-16s and the ex-RAAF C-130s. This tact was adopted by the other services too, as can be seen by the purchase of surplus Leopard tanks from Germany, or the acquisition of three F2000 corvettes originally intended for Brunei.

A second point supporting force modernization as a strong driving factor is that TNI commanders have adopted the rhetoric of force modernization with enthusiasm, with just a few instances listed to illustrate the regularity of this justification. In 2011, General Budiman (later to be Army Chief of Staff in 2013) spoke of the need to “replace a significant number of helicopters that will be retired in the coming years.”²⁴⁴ In 2014, then TNI Commander General Moeldoko stated that the TNI had to “constantly modernize our weaponry and cannot persist in modifying old platforms,” labelling the weapon systems of the Marines as being “obsolete.”²⁴⁵ More recently, TNI-AL Vice-Admiral Ade Supandi also announced the intent replace the existing minesweepers that were “nearing the end of their service lives,” without the existence of a current threat context.²⁴⁶

While the empirical and rhetorical justifications have been prominent, it is asserted that force modernization cannot be a strong driving factor as other factors are often relevant, downplaying the pure modernization motivation. These reasons include the host of reasons identified earlier in this chapter, such as resource availability, domestic politics, and threat perceptions. To illustrate, although President Yudhoyono was credited for making “modernizing the Armed Forces a priority of his administration,”²⁴⁷ other analysts have suggested that he had simply adopted the “uncontroversial drive for...modernization in the form of greater budgetary allocations

²⁴³ “Rethinking TNI AU’s Arms Procurement: A Long-Run Projection,” *RSIS Policy Report*, 3.

²⁴⁴ “Procurement: Indonesia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

²⁴⁵ Ibid.

²⁴⁶ Ibid.

²⁴⁷ “Indonesia’s Army: Seeking a Modern Role,” *The Economist*.

[and] procurement,” as opposed to following through with more challenging and fundamental military reforms.²⁴⁸

Finally, the strength of the force modernization factor is also diluted by the ad-hoc and sometimes incomplete manner of equipping. Sudden buys of Sukhois using barter trade, followed by building up F-16 and Sukhoi fleets in tandem, and buying Leopard tanks without fire control systems paint a picture of modernization with potentially crippling logistics costs and questionable operational value downstream.²⁴⁹ Certainly, not all force modernization projects in other militaries result in operational successes, but the lack of fundamental components like fire control systems raise serious doubts about the desired effects of such procurements. In all, force modernization is only a moderately strong driving factor for arms procurement by Indonesia as competing demands and priorities preclude force modernization from being a driving factor in its own right.

F. SUMMARY

The Indonesian arms procurement trend is characterized by a much higher quantum of acquisitions, with two temporal peaks of from 2002 to 2004 and from 2008 to 2012. This chapter has discussed the causal factors for the arms build-up and shown that the factors of resource availability and domestic politics have had the greatest sway in terms of driving arms acquisitions in Indonesia. Similar to the analysis for Malaysia, whilst the causal relationship for resource availability is straightforward and linear, the complex nature of domestic politics means that the different facets of budget contestation, corruption, and prestige may act in opposing ways. For external threats, arms procurements have been affected more by extra-regional concerns with regard to the SCS, and not intra-regional concerns, reflecting the liberalist slant of Indonesian foreign policy, especially within ASEAN. Finally, force modernization is a moderately strong driving factor for arms procurement by Indonesia, where real needs to upkeep the arsenal are diluted by the interaction of other causal factors.

²⁴⁸ Baker, “Professionalism without Reform,” 115.

²⁴⁹ Schreer, “Moving Beyond Ambitions?” 24.

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IV. SINGAPORE

Moving to Singapore, the four hypotheses will be examined to analyze the relative strengths of the drivers for arms procurement in the years 2000–2015. To first set the context, a review of Singapore’s arms procurement record since the EAFC is presented, highlighting key combatants and capabilities that have been acquired.

A. REVIEW OF ARMS PROCUREMENT

Any study of Singapore’s arms procurement trend needs to consider the context of Singapore’s defense policy, which is “fundamentally based on the twin pillars of deterrence and diplomacy.”²⁵⁰ To this end, deterrence is provided through the build-up of the Singapore Armed Forces (SAF), as part of a ‘Total Defense’ approach to overcoming Singapore’s inherent disadvantages of “size, location, and relatively small population.”²⁵¹ As such, the SAF’s procurement policy is premised on long-term and sustained investment—instead of unpredictable peaks and troughs—leading Singapore to consistently be the largest defense spender in Southeast Asia since 1995.²⁵² An overall depiction of Singapore’s arms procurement activities is shown in Figure 8.

Singapore has been able to acquire several key capabilities across the three services from 2000 to 2015, to build the SAF to be able to “deliver a swift and decisive victory” should deterrence fail.²⁵³ For the Republic of Singapore Air Force (RSAF), its fighter fleet has been renewed with phased purchases of F-16s and F-15SGs, enhanced by the introduction of a new Airborne Early Warning (AEW) platform in the G-550 AEW. Meanwhile, the combat capabilities of the Army has been bolstered by the delivery of advanced High Mobility Artillery Rocket System (HIMARS), Leopard-2A4 MBTs and

²⁵⁰ Government of Singapore, *Defense Policy and Diplomacy*, accessed October 11, 2015, http://www.mindef.gov.sg/imindef/key_topics/defence_policy.html.

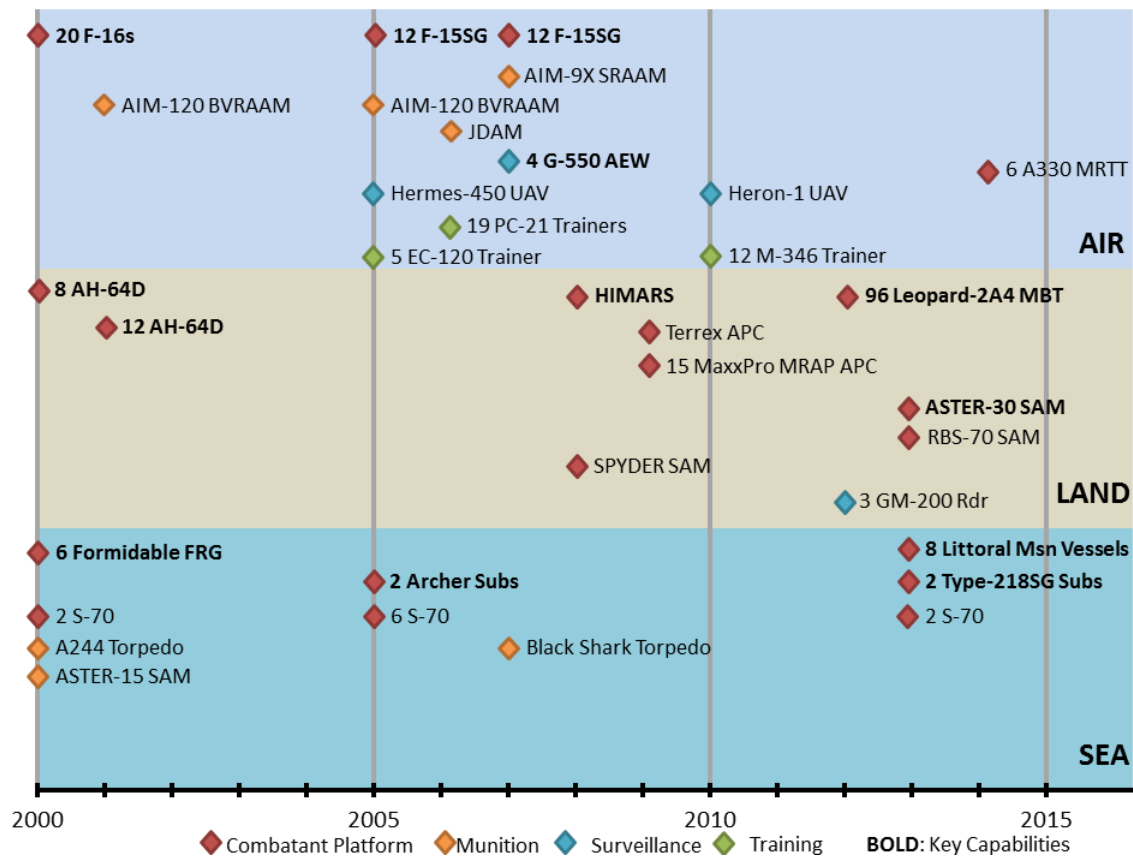
²⁵¹ Craig Caffrey, “Singapore Defence Budget,” *Jane’s Defence Budgets*, updated May 5, 2015, <http://www.ihs.com>.

²⁵² “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

²⁵³ “Procurement: Singapore,” *Jane’s Sentinel Security Assessment – Southeast Asia*, updated July 23, 2015.

ASTER-30 Surface to Air Missile systems. Finally, the Republic of Singapore Navy (RSN) has added four submarines to its fleet, together with six stealth frigates and eight new Littoral Mission Vessels (LMVs). Taken as a whole, these procurements are impressive as they seek to realize the goal of a “networked armed force...capable of full-spectrum operations” with operationally effective force sizes as well.²⁵⁴

Figure 8. Singapore: Main Arms Procurements since 2000



Adapted from “SIPRI Arms Trade Register,” Stockholm International Peace Research Institute, accessed May 16, 2015, http://armstrade.sipri.org/armstrade/page/trade_register.php; Jane’s IHS Database, Jane’s IHS, accessed May 25, 2015, <http://janes.ihs.com>.

Two observations characterize the SAF’s procurement pattern. First, Singapore has spread its arms acquisitions out evenly over the fifteen years. As shown in Figure 8,

²⁵⁴ Caffrey, “Singapore Defence Budget.”

there were between four to five key combatant purchases in each five-year block. This measured level of acquisitions is a manifestation of the objective of a consistent rate of investment in defense without peaks and troughs. Indeed, analysts have observed that Singapore has planned its arms acquisition activities in such a manner that is “designed to reassure its neighbors while developing strong deterrence.”²⁵⁵ Besides the overall rate of procurement, the SAF has also been disciplined in keeping to long-term planning cycles to achieve regular fleet renewal. This is illustrated by how fighter aircraft have been bought in tranches approximately every five years, just as the naval fleet has been supplemented with frigates and submarines at regular intervals.

The second observation is that while there have not been surges of procurements across the SAF, Figure 8 shows that there appears to be periods of focused development for particular services. The first instance pertains to the build-up of the RSAF in the period from 2005 to 2010, where key capabilities like the F-15SG and G-550 AEW aircraft were procured, together with smaller purchases of Unmanned Aerial Vehicles (UAV) and trainers. This shifted to a phase of focus on the land and maritime domains from 2008 to 2013, where the HIMARS and Leopard MBTs were procured, together with the orders for eight LMVs and two Type-218SG submarines. Such a procurement pattern provides the SAF an opportunity to allow some services to integrate new systems whilst other services provide stability. Still, if one took these instances of focused development out of the context of the longer term development, then there could be alarm at the significant investments on certain capabilities that are concentrated in short time frames. With this picture of the arms build-up of the SAF, the analysis shifts to consider each of the four causal hypotheses for factors driving the arms acquisitions.

B. RESOURCE AVAILABILITY

A study of Singapore’s economics provides justifications that resource availability was a moderately strong driving factor for SAF arms procurement. The analysis begins with an investigation of how military expenditure correlated with GDP growth before characterizing how defense has been prioritized in the government budget.

²⁵⁵ “Procurement: Singapore,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

To appreciate the correlation of military expenditure with GDP growth, it is first highlighted that Singapore was less affected by the EAFC, with its GDP only suffering a 15 percent decline from 1997 to 1998, as compared to the more calamitous drops elsewhere in the region. Established as a free-market economy built on efficient infrastructure, the government had adopted a “Developmental State” model where the economy was centrally directed to promote development.²⁵⁶ This “interventionist strategy was [also] used to manage Singapore” out of the EAFC, resulting in an average 8.5 percent GDP growth since 1998, which was impressive given the already-high GDP that Singapore had achieved as one of the four ‘Asian Tiger’ economies.²⁵⁷ Such strong economic fundamentals were instrumental in funding the sustained build-up of the SAF, manifested in the correlation between GDP growth and military expenditure as shown in Figure 9.

Still, if one compares the average growth of military spending by Singapore as compared to Malaysia and Indonesia, it would seem like Singapore has not increased its spending by as much. From 2000 to 2014, the average annual growth in military spending was 5.5 percent for Singapore, less than 8.2 percent for Malaysia, and 15.2 percent for Indonesia.²⁵⁸ In truth, the difference in the quantum of growth can be attributed to the deliberate effort of the Singapore government to keep the defense budget steady despite a dip in the GDP during the EAFC, as shown in the initial segment of Figure 9. This action precluded a sharp dip in defense spending in 1998 that Malaysia and Indonesia experienced, inflating their subsequent increments. Indeed, this effort is a “clear indicator

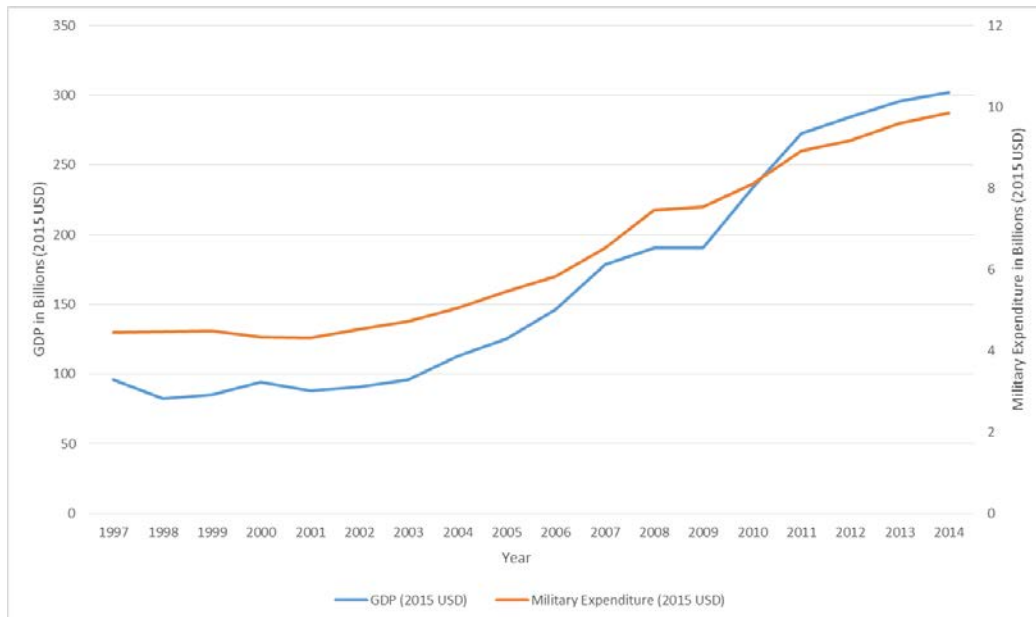
²⁵⁶ Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, CA: Stanford University Press, 1982), 272.

²⁵⁷ Ron Matthews and Nellie Zhang Yan, “Small Country ‘Total Defense’: A Case Study of Singapore,” in *Defense Procurement and Industry Policy: A Small Country Perspective*, eds. Stefan Markowski, Peter Hall, and Robert Wylie (London: Routledge, 2009), 257.

²⁵⁸ “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org>; “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

of the Singapore government's commitment to a steady and long-term build-up of the armed forces," despite times of challenging economic conditions.²⁵⁹

Figure 9. Singapore: GDP and Military Expenditure Post-EAFC

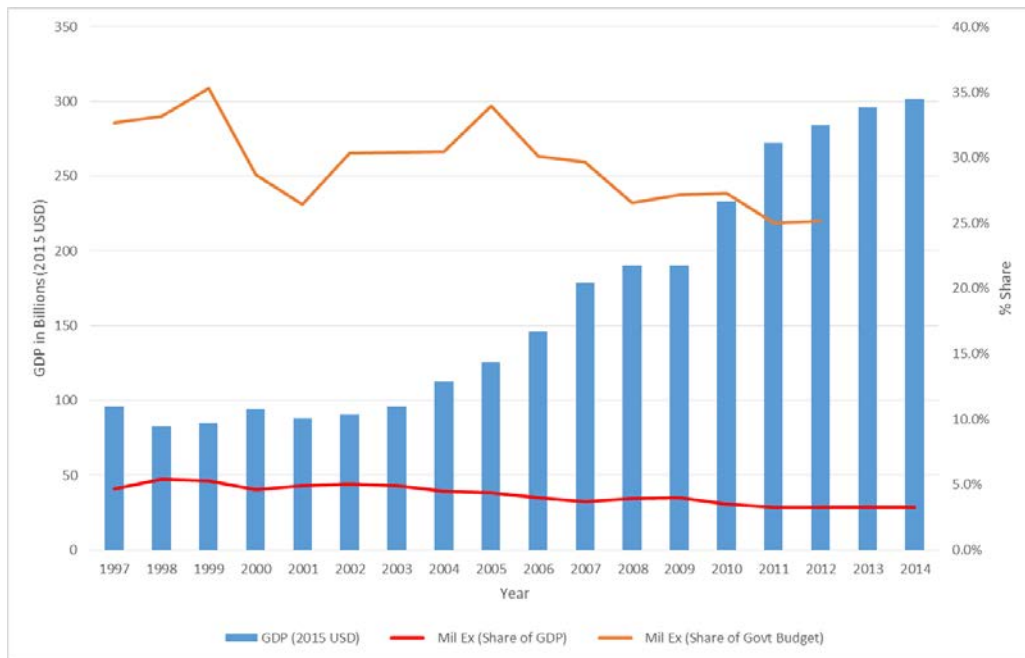


Adapted from “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org> and “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

Another observation that can be drawn from Figure 9 is that while both military expenditure and GDP has generally been on a positive growth trend, the rate of increase for military expenditure has slowed down relative to the growth of the economy since 2009. Why has there been this slow-down in the rate of growth of defense spending? Has the level of government commitment changed? To this end, further conclusions can be drawn from a study of Figure 10, which considers how defense funds have been allocated as a share of the GDP and the government budget.

²⁵⁹ Tai Yong Tan, “Singapore: Civil-Military Fusion,” in *Coercion and Governance: The Declining Political Role of the Military in Asia*, ed. Muthiah Alagappa (Stanford, CA: Stanford University Press, 2001), 277.

Figure 10. Singapore: Military Expenditure as a Share of GDP and National Budget



Adapted from “World Bank Database,” World Bank, accessed May 27, 2015, <http://data.worldbank.org> and “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 13, 2015, http://www.sipri.org/research/armaments/milex/milex_database.

First, a study of military expenditure as a share of the GDP shows that Singapore has continued to allocate a substantial proportion of the state’s wealth into defense. This statistic is depicted in the steady red line that reflects the government’s consistent commitment to fund defense efforts. Although the trend shows an almost 40 percent decline from a peak of 5.4 percent in 1998 to 3.3 percent in 2012–2014, this is still about two to three times greater than the shares committed by Malaysia and Indonesia, who have typically spent between 1 to 2.5 percent of their GDP on defense. Indeed, while Singapore’s defense burden as a share of GDP still surpasses Malaysia and Indonesia, Singapore’s reduced growth of the defense budget is nonetheless noteworthy. This policy also means that a buffer has been created for the SAF, as Singapore’s DM Dr. Ng Eng

Hen states, “the Singapore government is prepared to spend up to 6 percent of [the] GDP on defense,” although this metric is not “one that drives the development of the SAF.”²⁶⁰

Second, the orange graph depicting the share of the government budget allocated to defense shows a similar commitment to sustained defense spending with the share maintained within a band of 25 to 35 percent of the budget. Again, this level is significantly higher than anywhere else in the world, as even Israel and the United States only devote 15 to 20 percent of their government budgets to defense. Still, it is noted that the overall trend seems to be declining as this share dropped below 30 percent in 2006, and it has trended towards 25 percent in the years since.

In all, Singapore’s defense economic trends reflect the nation-state’s policy of sustained investment in the military to maintain the SAF as a credible deterrent force, without resorting to dramatic budget increases and cuts, as DM Ng has committed to “not alter its policy of gradual increases to military spending.”²⁶¹ At the same time, the fact that the defense share of the GDP and the government budget has been declining deserves further study. On the one hand, it appears that Singapore has eased up on defense expenditure whilst retaining the capacity to drive up defense spending in the event of contingencies. On the other hand, these changes might reflect a shift in priority towards greater social spending to deal with societal needs and political demands. Nevertheless, the importance of the resource availability factor for driving Singapore’s arms procurement trend cannot be dismissed given the close correlation in Figure 9, and the significant quantum of defense allocations depicted in Figure 10.

C. DOMESTIC POLITICS

For Singapore, the domestic politics factor is strong because of how the procurement process is centrally managed within the political system that strongly supports the SAF, whilst the alternative causal relationships dealing with corruption and prestige are practically non-existent. Hence, the domestic politics factor in Singapore is

²⁶⁰ Jon Grevatt, “Singapore’s Defense Minister Outlines Procurement Strategy,” *Jane’s Defense Weekly*, April 24, 2014, <http://www.ihs.com>.

²⁶¹ Craig Caffrey, “Singapore Increases Defence Budget by 5.7%,” *Jane’s Defence Weekly*, March 18, 2015, <http://www.ihs.com>.

less multifaceted reflecting how the inner workings of domestic politics vary substantially across borders in Southeast Asia.

From the section on the availability of resources, it is clear that the monies that can be invested in defense in Singapore are substantial, yet it was noted that the defense share of GDP and budget had declined, as depicted in Figure 10. Does this imply that the government budget has steadily been allocated to other areas? This phenomena can be analyzed according to political will and civilian dominance to explain how the contestation of the budget is a relevant facet in the influence of domestic politics on arms procurement in Singapore.

First, Singapore's apparent riches might cause one to underestimate the challenge of devoting 25 to 35 percent of the budget to raising a military, but it is highlighted that determined political will is still critical. While the government has thus far spent lesser than its defense allocation cap of 6 percent of the GDP, there are calls to divert defense allocations to other public needs.²⁶² The countervailing rebuttal to these calls can be viewed in two ways. On the one hand, the defense dollars can be viewed simply as "insurance premiums" for peace.²⁶³ On the other hand, another narrative suggests that Singapore's continued success rests on the "quest to create economic, political, diplomatic, and strategic space internationally through the judicious use of all available means," where the "fostering of apposite environmental conditions that favor Singapore" have defined the "*raison d'être* of the SAF."²⁶⁴ In other words, the prospects of the SAF and Singapore are seen to be intertwined and even those who call for funds to be allocated to other demands indirectly support continued funding for the military, because all other aspects of development—be it education or healthcare—are only possible because of the economic strength that rides on the environment engendered by the SAF. This thinking has been another legacy of the late Lee Kuan Yew, who repeatedly stressed

²⁶² Matthews and Maharani, *Beyond the RMA*, 71.

²⁶³ Bilveer Singh, *Arming the Singapore Armed Forces (SAF): Trends and Implications* (Canberra: Strategic and Defence Studies Centre, Australian National University, 2003), 42.

²⁶⁴ See Seng Tan, "Mailed Fists and Velvet Gloves: The Relevance of Smart Power to Singapore's Evolving Defence and Foreign Policy," *Journal of Strategic Studies* 38, no. 3, (2015): 337.

the importance of the SAF to Singapore's future.²⁶⁵ In 2012, Lee Kuan Yew was quoted saying, "From the day we started, I knew that we needed a strong SAF and I believe that still remains today. Without a strong SAF, there is no economic future, there is no security."²⁶⁶

Second, there is a high degree of civilian dominance in the decision-making process in Singapore's military establishment. Indeed, Singapore's arms procurement process is renowned for "ruthless cost-effectiveness,"²⁶⁷ and it is widely deemed to be "the most sophisticated and professional in Southeast Asia."²⁶⁸ At first sight, one might attribute such a professional process to reflect deep military influence in the decision-making process, but the truth is the exact opposite, as Singapore's arms acquisition decisions are dominated by civilian authorities. In truth, the SAF and the Ministry of Defense (MINDEF) operates within a "fusion model," where the military "functions as an integrated part of a centralized, bureaucratic state."²⁶⁹ Hence, while the military is highly influential in providing professional military inputs that frame long term force modernization, there is "undisputed dominance of the civilian sector over the military."²⁷⁰ As such, concerns about the political influence of militaries are not relevant in Singapore's domestic political environment.

The second facet of domestic politics is corruption, which is also not deemed to be an issue in Singapore, as Singapore's Transparency International rankings attest to.²⁷¹ Corruption is constantly combated across MINDEF and the government, with senior officers routinely rotated so as to prevent the "entrenchment of power base(s)" that could

²⁶⁵ Alberto Riva, "Lee Kuan Yew's Other Legacy: Why Singapore Has One of the World's Toughest Militaries," *International Business Times*, March 24, 2015, <http://www.ibtimes.com>.

²⁶⁶ Eng Beng Koh, "In Remembrance: Lee Kuan Yew," *Cyber Pioneer*, April 23, 2015, http://www.mindef.gov.sg/imindef/resourcelibrary/cyberpioneer/topics/articles/features/2015/may15_fs1.html#.Vk6f4XarTVY.

²⁶⁷ Alexander Sullivan, *Autonomous Power? Securing Singapore's Interests in the 21st Century* (Washington, D.C.: Center for a New American Security, 2014), 8.

²⁶⁸ Huxley, "Defense Procurement in Southeast Asia," 6.

²⁶⁹ Tan, "Singapore: Civil-Military Fusion," 276.

²⁷⁰ *Ibid.*, 277 & 284.

²⁷¹ "Corruption by Country/Territory: Singapore," Transparency International, accessed June 11, 2015, <http://www.transparency.org/country#SGP>.

lay the ground for corruption.²⁷² Indeed, various analysts concur that “there have been very few reports of corruption regarding Singapore’s procurement processes,”²⁷³ and “there has never been any suggestion of malpractice in relation to major defense procurement by Singapore, although there have occasionally been examples of junior contracting officers being convicted for corruption in relation to minor acquisitions from local contractors.”²⁷⁴ Looking beyond the motive of self-aggrandizement through corruption, Tan also dismisses the suggestion that the movement of retired officers to “key positions in civil service and the cabinet” could create “undue emphasis on defense,” as he contends that it is more a “manifestation of the close nexus...between the civil and military leadership of the country” than patronage-based political maneuvering.²⁷⁵

Finally, while the factor of pursuing national prestige has been raised for other Southeast Asian states, there has not been any evidence of this being relevant for Singapore. For example, while Bilveer Singh highlighted that the pursuit of prestige as a relevant factor for Malaysia, Indonesia, and Thailand, he was deliberate in excluding Singapore from that list.²⁷⁶

Therefore, the factor of domestic politics is an important one that drives arms procurement for the SAF, but it only operates through the causal relationship of how government stake-holders divide the national budget, and the other two facets of corruption and prestige are not relevant. On the contestation of the budget, the SAF enjoys a privileged position where its contribution to securing the operating space for Singapore is viewed as being synonymous with the prospects of Singapore, and as such, it continues to receive resources to fund long-term procurement projects, with the flexibility of utilizing a 6 percent spending cap of the GDP should the need arise.

²⁷² Tan, “Singapore: Civil-Military Fusion,” 289.

²⁷³ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

²⁷⁴ Huxley, “Defense Procurement in Southeast Asia,” 6.

²⁷⁵ Tan, “Singapore: Civil-Military Fusion,” 290.

²⁷⁶ Singh, *Arming the Singapore Armed Forces (SAF)*, 17.

D. EXTERNAL THREATS

Given Singapore's accentuated vulnerabilities as a small city-state, have external threats driven arms procurement? Similar to Malaysia and Indonesia, external threats will be discussed along the lines of intra-regional threats before extra-regional threats.

1. Intra-Regional Threats

Due to the fractious history amongst these three neighbors in Southeast Asia, Singapore's large defense spending appears, on the surface, to be influenced by intra-regional threats; however, this section argues that Singapore's arms procurements have been driven more by a chronic sense of vulnerability rather than by threats from Malaysia or Indonesia. This section first discusses the Singaporean conception of vulnerability, before exploring the strategy of deterrence, to show that Singapore's arms procurement efforts since the EAFC are not a response to intra-regional threats.

As recently as 2012, PM Lee Hsien Loong remarked that "we [Singapore] would always be vulnerable to the vagaries of external events," reflecting how the perception of vulnerability persists in the top echelon of Singapore's leadership.²⁷⁷ In the same vein, Sullivan writes that the "classical understanding of Singapore's strategic position...is one of vulnerability," stressing the challenge associated with Singapore's small size.²⁷⁸ Indeed, size is a cornerstone of Singapore's perspective of vulnerability, as the small geographical land mass of Singapore also means a lack of strategic depth. Translating this vulnerability to military arms procurement, Chang highlights that this "lack of depth" led Singapore's defense planners to "enlarge the island's defensive depth by expanding the operational reach of [the SAF's] combat elements."²⁷⁹ Hence, the arms build-up of the SAF, especially from the 1970s to 1980s, was premised on the principle of creating a military force able to conduct a "pre-emptive, first strike doctrine similar to that of Israel."²⁸⁰ While such a doctrine was offensive in nature, it reflected the logic that

²⁷⁷ Tan, "Mailed Fists and Velvet Gloves," 334.

²⁷⁸ Sullivan, *Autonomous Power? Securing Singapore's Interests in the 21st Century*, 4.

²⁷⁹ Chang, "In Defense of Singapore," 114.

²⁸⁰ Singh, *Arming the Singapore Armed Forces (SAF)*, 27.

Singapore's security calculus was based on its inherent weaknesses, and not by the threats of other states. Since the EAFC, although the disadvantages associated with physical size have been partially mitigated by the power projection potential of the SAF, the conception of vulnerability remained relevant; as PM Lee added, "We must always fend for ourselves... in a rapidly changing world, this is one fact that will not change for Singapore."²⁸¹

Still, although Singapore's arms procurement appears to be driven more by inherent vulnerabilities independently of external threats, it would be remiss not to examine the influence of Singapore's fractious bilateral relationships with Malaysia and Indonesia.²⁸² Malaysia, in particular, has been described as "the most conspicuous factor in Singapore's security calculations," where their bilateral relations are the "most tempestuous and unpredictable amongst all countries in the region."²⁸³ When considering bilateral issues that have cropped up since the EAFC, the two most contentious ones have been the territorial dispute pertaining to Pedra Branca and the supply of water. First, "Kuala Lumpur accused Singapore of blocking its fishing vessels from the seas around [Pedra Branca]" in 2002, escalating bilateral tensions that had already been building up since 1997 for a host of other reasons.²⁸⁴ Second, although the supply of water from Malaysia to Singapore was enshrined in the separation documents, arguments over the pricing of water between the two nations in 2002 led some Malaysian politicians to recklessly introduce "the notion of war" into their rhetoric.²⁸⁵ Meanwhile, although issues with Indonesia were less contentious, they persisted for a long time, like failed attempts by "Jakarta to extradite ethnic Chinese suspects...domiciled in Singapore" and the controversy arising from the export of sand to Singapore.²⁸⁶ More recently, relations

²⁸¹ Tan, "Mailed Fists and Velvet Gloves," 334.

²⁸² Chang, "In Defense of Singapore," 109–10.

²⁸³ Singh, *Arming the Singapore Armed Forces (SAF)*, 27.

²⁸⁴ Matthews and Yan, "Small Country," 256; "Singapore: Profile Problems," *The New York Times*, November 29, 2007, <http://www.nytimes.com/2007/11/29/news/29iht-30oxan-SINGAPORE.8527717.html?pagewanted=all>.

²⁸⁵ Singh, *Arming the Singapore Armed Forces (SAF)*, 23.

²⁸⁶ "Singapore: Profile Problems," *The New York Times*.

dipped momentarily in 2014 when the TNI-AL decided to name a new F2000 corvette as KRI Usman Harun, after two Indonesian marines who had been executed for the 1965 MacDonald House bombing in Singapore during the Indonesian Confrontation.²⁸⁷

Did these dips in bilateral relations drive arms acquisition by Singapore? Recalling the review of arms procurements, the defining characteristic of Singapore's arms procurement trend since the EAFC has been a steady rate of military expenditure with no spikes in arms procurement. New weapon systems were bought in regular intervals, and spaced out to cater to budgetary consistency and allow for force integration within the SAF. Indeed, a review of Figures 9 and 10 would underscore the uninteresting trend of Singapore's military expenditure since the EAFC. Therefore, there is no evidence that intra-regional threats or disputes have driven Singapore's arms acquisitions. Indeed, the bilateral arguments raised above were symptomatic of close neighbors joined together in history and mutual rivalry, and analysts have surmised that Singapore in fact faces "no credible external security threats from neighboring states."²⁸⁸

Hence, Singapore's arms procurement efforts with respect to the intra-regional context are thus better explained by the adoption of a strategy of deterrence, as a more sustainable answer to chronic vulnerability. Within Singapore, the SAF has been developed as a "conventional deterrent that would dissuade any adversary from mounting a direct attack," as part of a larger national effort of Total Defense.²⁸⁹ Externally, deterrence is paired with diplomacy as Singapore's "proactive foreign policy" is geared to "enlarge its strategic space and ensure a positive local and regional environment."²⁹⁰ Within the region, this includes bilateral defense diplomacy efforts, as well as active participation in ASEAN-led forums like the ASEAN Defense Ministers' Meeting—Plus (ADMM-Plus) and the ASEAN Regional Forum (ARF). Meanwhile, Singapore's efforts to leverage diplomatic means are manifested by the fact that they have sought to resolve

²⁸⁷ David Boey, "KRI Usman Harun Not Welcome in Singapore Waters," *The Straits Times*, February 8, 2014, <http://www.straitstimes.com/singapore/kri-usman-harun-not-welcome-in-singapore-waters-0>.

²⁸⁸ Caffrey, "Singapore Defence Budget."

²⁸⁹ Chang, "In Defense of Singapore," 113.

²⁹⁰ Sullivan, *Autonomous Power? Securing Singapore's Interests in the 21st Century*, 4.

all their bilateral territorial disputes through negotiations or with the International Court of Justice.²⁹¹ Finally, even in the conduct of arms procurement, observers note that Singapore has been “cautious with regard to acquiring new military capabilities given its commitment to maintaining stability in Southeast Asia,” reflecting an acknowledgement that deterrence involves messaging and the deterrent effect of new systems can quickly be eroded if it only incites the rival to react with other acquisitions of their own.²⁹²

Therefore, the factor of intra-regional threats does not drive arms procurement for the SAF. This appears surprising, as Singapore’s realist mentality, evidenced by its “hardnosed security outlook [and] self-help philosophy,” makes Singapore appear closest to being driven by intra-regional threat considerations.²⁹³ Nevertheless, the analysis highlights how the chronic sense of vulnerability drives the strategy of deterrence, leading to a measured pace of acquisition to build up the SAF. When combined with diplomacy, Singapore is thus able to “deal confidently with neighbors Indonesia and Malaysia, despite periodic tensions.”²⁹⁴

2. Extra-Regional Threats

Beyond the immediate region, this section assesses that the rise of China has not been a driving factor for arms procurement in Singapore, stemming from the analysis that China does not represent a “direct security threat to Singapore.”²⁹⁵ To this end, this assessment has been developed by examining the issue from two perspectives: Sino-Singapore relations and Singapore’s response to the SCS dispute.

First, Singapore’s relations with China are less ambivalent, because although Singapore employs similar hedging strategies, its “small size, geostrategic vulnerability, and continuing concerns about long term Chinese intentions propel it toward a close,

²⁹¹ “Indonesia, Singapore: Maritime Border Pact Signed,” Library of Congress.

²⁹² “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

²⁹³ Tan, “Mailed Fists and Velvet Gloves,” 334.

²⁹⁴ Sullivan, *Autonomous Power? Securing Singapore’s Interests in the 21st Century*, 6.

²⁹⁵ Koong, *Southeast Asian Countries’ Perceptions of China’s Military Modernization*, 14.

strategic partnership with the U.S.”²⁹⁶ At the same time, Singapore will continue to stay closely associated with China to benefit from economic ties, even though there are pros and cons in doing so. On a positive note, China’s open-door policies provided economic opportunities for Singapore to develop a “‘second wing’” of its economy.²⁹⁷ Singapore was not interested just in bilateral trade, but in the potential of a “complex Asian production network” that created “intraregional trade.”²⁹⁸ On the other hand, China’s rise also meant greater competition for Foreign Direct Investment (FDI), with China estimated to be “siphoning” 50 to 70 percent of Asia’s FDI, leaving just 20 percent for ASEAN.²⁹⁹ Aside from such competitive outcomes, China was still widely perceived to be Asia’s economic engine, and Singapore remains keen to be closely integrated with China to benefit from that rise.

A second and unique aspect of Singapore’s relationship with China arises from the predominantly Chinese demographic of Singapore, where ethnic-Chinese make up 74.3 percent of the population.³⁰⁰ From Singapore’s perspective, the nation-state is “uneasy about being seen as the ‘third China,’” in light of its “Muslim-majority neighbors.”³⁰¹ This was manifested by how Singapore insisted on being one of the last Southeast Asia countries to normalize ties with China—only after Malaysia and Indonesia had done so. Conversely, China has sometimes been disappointed by the lack of “Chinese-affinity,” like when Singapore supported Japan’s bid for a permanent seat at the United Nations Security Council.³⁰² Singapore thus identifies with being more Southeast Asian than Chinese, but this distinction is not always appreciated by Beijing.

²⁹⁶ Evan S. Medeiros, *Pacific Currents: The Responses of U.S. Allies and Security Partners in East Asia to China’s Rise*, vol. 736 (Santa Monica, CA: Rand Corporation, 2008), 185.

²⁹⁷ Cheng Chwee Kuik, “The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China,” *Contemporary Southeast Asia* 30, no. 2 (2008): 176.

²⁹⁸ Medeiros, *Pacific Currents*, 166.

²⁹⁹ Evelyn Goh, “Singapore’s Reaction to a Rising China: Deep Engagement and Strategic Adjustment,” in *China and Southeast Asia: Global Changes and Regional Challenges*, eds. Khai Leong Ho and Samuel Ku (Singapore: Institute of Southeast Asian Studies, 2005), 319.

³⁰⁰ Singapore Department of Statistics, *Population and Population Structure*, accessed May 21, 2015, <http://www.singstat.gov.sg/statistics/browse-by-theme/population-and-population-structure>.

³⁰¹ Kuik, “The Essence of Hedging,” 179.

³⁰² Medeiros, *Pacific Currents*, 177.

Second, as a non-claimant in the SCS dispute, Singapore's concerns are for a peaceful resolution of the dispute and that freedom of navigation remains unaffected.³⁰³ These concerns reflect Singapore's desire that a "regional status-quo" is maintained to facilitate continued economic growth, and that the SCS dispute should not be allowed to negatively impact trade routes.³⁰⁴ With the rise of tensions in the SCS since 2007, Singapore has made diplomatic efforts to urge "China to clarify its claim in the SCS," but these have not met any success.³⁰⁵ Indeed, over the past two years, Singapore has watched with concern as the increasingly aggressive actions of China and the response of the U.S., Vietnam and the Philippines, seem to feed off each other; leading PM Lee to call on the countries to "break the vicious cycle and not let disputes sour the broader relationship" at the Shangri-La Dialogue held in Singapore in 2015.³⁰⁶

Besides these diplomatic initiatives, the SAF has moved to anchor the U.S.'s presence in the area by continued engagement with the U.S. military. This strategy is rooted in the perception that the U.S. is "the key to a stable power balance in Asia," leading Singapore to "publicly advocate a regional power balance as [being] desirable, with the tacit acceptance of the notion of a hierarchy of power...with the U.S. at the apex."³⁰⁷ As such, the SAF has gone to great lengths to expand Changi Naval Base, at the eastern tip of Singapore, to accommodate U.S. Navy aircraft carriers.³⁰⁸ More recently, one of the newest combat U.S. combat vessel—the Littoral Combat Ship (LCS)—began an 18 month deployment in Singapore, with plans for up to four LCS vessels operating from Singapore on a rotational basis from 2018.³⁰⁹

³⁰³ Koong, *Southeast Asian Countries' Perceptions of China's Military Modernization*, 15.

³⁰⁴ Kuik, "The Essence of Hedging," 177.

³⁰⁵ Sukma, "Indonesia's Security Outlook and Defense Policy 2012," 12.

³⁰⁶ Hsien Loong Lee, "IISS Shangri-La Dialogue 2015 Keynote Address," (speech, IISS Shangri-La Dialogue 2015 in Singapore, May 29, 2015), <http://www.iiss.org/en/events/shangri%20la%20dialogue/archive/shangri-la-dialogue-2015-862b/opening-remarks-and-keynote-address-6729/keynote-address-a51f>.

³⁰⁷ Tan, "Mailed Fists and Velvet Gloves," 338.

³⁰⁸ Kuik, "The Essence of Hedging," 178.

³⁰⁹ Kirk Spitzer, "U.S. Adds Muscle, Seeks Friends in South China Sea Standoff," *USA Today*, August 23, 2015, <http://www.usatoday.com>.

Finally, from the procurement perspective, the SAF has maintained an arsenal of predominantly modern, Western-sourced armaments that facilitates frequent exchanges and exercises with the U.S. military. Through such close cooperation, combined with the hosting of “the USN Logistics Group West Pacific and the USAF 497th Combat Training Squadron,” as well as Changi Naval Bases’ aircraft carrier berth all work to anchor continued U.S. military presence in the region.³¹⁰ In essence, this routine and prominent U.S. military presence represents the desired outcome of Singapore’s actions.

Therefore, while Singapore works to shape its extra-regional space to ensure stability as far as possible, its focus in terms of arms procurement with respect to external threats is weighted to the intra-regional realm. Within that intra-regional realm, there are no specific threats that drive arms procurement, and Singapore has instead adopted a strategy of deterrence and diplomacy to address its chronic vulnerability, by steadily investing in the build-up of the SAF.

E. FORCE MODERNIZATION

Force modernization is a key driver for the arms build-up of the SAF, as a result of the strategy of deterrence, as well as the need to mitigate the inherent demographical challenges of the nation-state. This section will discuss the rationale for the sustained force modernization effort, before identifying evidence for how the force modernization initiatives have led to arms acquisition for the SAF.

Two main reasons underpin the SAF’s drive to undertake a sustained effort of force modernization. First, Singapore’s adoption of “Total Defense” is based on the “belief that the disadvantages inherent in Singapore’s geographical size, location and relatively small population can be countered through gaining human and technological advantages” in all fields.³¹¹ Indeed, technology is a sensible strategy for a small country with a limited but well-educated population, where acquisitions aim for more firepower and fewer personnel to operate.³¹² Through technology and training, it is desired that the

³¹⁰ Medeiros, *Pacific Currents*, 182.

³¹¹ “Procurement: Malaysia,” *Jane’s Sentinel Security Assessment – Southeast Asia*.

³¹² Singh, *Arming the Singapore Armed Forces (SAF)*, 16.

SAF can exploit the “principle of force multiplication,” such that “each man will count for several in fighting power.”³¹³

Second, modernization forms a cornerstone of Singapore’s defense policy, which is underpinned by deterrence and diplomacy. Deterrence requires potential adversaries to be convinced that one has a superior military capability—encompassing weapons technology, training, as well as the resilience to engage in war. While the SAF remains untested in actual conflict—perhaps a vindication of its strategy of deterrence—they have invested heavily in both arms acquisition and training to become “among the best trained and technologically capable in Asia.”³¹⁴ Taken to higher level of abstraction, the SAF’s modernization drive goes beyond plain operational considerations, as the quality of the SAF is “an imperative for the country’s economic survival,” such that investors remain confident of Singapore’s continued stability.³¹⁵

With the rationale for force modernization spelt out, what is the evidence that it has driven arms procurement in Singapore? On the one hand, one can point to the many instances where the SAF has been the first to attain certain technological advantages compared to other militaries in the region. These include the first Air Independent Propulsion equipped submarines in the Type 218SGs, the first AEW aircraft in the E-2Cs that have been retired and replaced by new G550s, and the first land attack helicopters in the AH-64Ds. The SAF is also the only military in Southeast Asia to possess longer-range UAVs like the Heron-1 and Deep Sea Rescue submersibles. Finally, Singapore is also the “only Southeast Asian partner in the F-35 Joint Strike Fighter (JSF) program,” underscoring Singapore’s commitment to ensure that the SAF keeps pace with the latest military technologies.³¹⁶ Beyond hardware, the SAF has also sought to modernize through a transformation of how the SAF is organized and fights, resulting in the “Third Generation SAF,” a vision of “a network-enabled force joining sophisticated intelligence,

³¹³ Tan, “Mailed Fists and Velvet Gloves,” 342.

³¹⁴ Caffrey, “Singapore Defence Budget.”

³¹⁵ Tan, “Singapore: Civil-Military Fusion,” 281.

³¹⁶ Bitzinger, “A New Arms Race?” 57.

surveillance, and reconnaissance (ISR) capabilities with advanced strike capabilities seamlessly across ground, air and naval forces.”³¹⁷

On the other hand, the impact of force modernization on arms procurement is that it also affects the manner in which the SAF acquires systems. In the words of Singapore’s Chief Defense Scientist, “we [Singapore] have to be smart buyers of weapons systems,” highlighting that while force modernization is a strong driving factor for arms procurement, it also influences how the SAF chooses its weapons systems. In this case, being a ‘smart buyer’ does not just entail buying the most expensive and most modern equipment, as besides the need to invest the defense budget in systems that would yield the best combat outcomes and deterrence effects, the SAF has been cognizant that such military technologies are “not magic bullets.”³¹⁸

In all, while the SAF will need to be critical in how it chooses to modernize to meet its security challenges, it is clear that force modernization has been a strong driver of arms procurement for the SAF. This logic is underpinned by the inherent demographic realities of Singapore, as well as its stated defense policy.

F. SUMMARY

From 2000 to 2015, the procurement pattern for the SAF has been evenly spread out, with significant acquisitions made approximately every five years, reflecting the long-term view that has built the SAF to be one of the best equipped in the region. There are multiple drivers at work that have influenced the arms procurement patterns that have resulted in the coherent pattern of acquisitions. The availability of resource is important given the correlation between the growth of government resources and military expenditure, providing for long term forecasts and force-structuring. More important, though, is the causal relationship of how government stake-holders allocate the national budget, and the domestic political commitment to sustaining the generous 6 percent GDP cap for military spending. In contrast, threats are not deemed to be a driving factor as Singapore’s strategy of deterrence has been designed to address chronic vulnerability,

³¹⁷ Sullivan, *Autonomous Power? Securing Singapore’s Interests in the 21st Century*, 7.

³¹⁸ Tan, “Mailed Fists and Velvet Gloves,” 343.

instead of specific threats. Finally, the strategy of deterrence is realized by a deliberate effort at shrewd force modernization to build a technologically-enhanced SAF that mitigates the challenges associated with a small population and a tiny land mass.

V. CONCLUSION

The analysis of how the four causal factors influenced the procurement of arms by Malaysia, Indonesia, and Singapore reveals that they functioned differently in each country, reflecting the diversity amongst countries so closely intertwined by geography and history. This chapter will first summarize the findings regarding the underlying drivers of arms procurement to answer the research question and evaluate the four hypotheses. Second, this chapter will characterize the arms procurement trends in Southeast Asia in terms of Buzan and Herring's arms dynamic model, before concluding with an assessment of the regional security implications of such a dynamic.

A. ADDRESSING THE HYPOTHESES AND THE RESEARCH QUESTION

Based on the evidence and analysis presented in the preceding chapters, it is clear that the arms procurement efforts in all three countries are driven by unique sets of underlying factors that reflect their unique combination of domestic politics and international challenges. While four main variables provided a framework for analysis and comparison, it was also clear that how these factors operated within the countries was equally diverse. This section will thus summarize the findings for each variable in turn and assess their respective hypotheses.

1. Resource Availability

All three countries experienced strong economic growth since the end of the EAFC, generating the financial muscle that allowed them to spend on defense. The availability of funds translated to increased military spending as evidenced by the correlation between GDP growth and military expenditure—depicted in Figures 3, 6, and 9. Still, the research revealed the varying strength of this factor in driving arms procurement across the countries. For instance, the resource availability factor was especially strong for Indonesia, as its military expenditures grew strongly alongside robust economic growth and tapered off in times of economic slow-downs like the EAFC and more recently since 2008. Meanwhile, Malaysia's military expenditure trend correlated closely with GDP trends until 2012, when defense spending practically

stagnated even though the economy still managed 4.4 percent growth annually. In contrast, Singapore appears to be an anomaly, because apart from long-term correlation between GDP growth and military expenditure, Singapore's defense spending did not dip after the EAFC, and it has instead slowed down in recent years even though its economy has not suffered greatly since 2009.

As such, to understand the resource availability factor closer, there was a need to go beyond simple correlation between GDP and military expenditure, to study the trends of how the governments allocated funds to defense, as a share of GDP and the budget. Malaysia's defense spending as a share of GDP has declined steadily since the EAFC, resulting in its lowest level of 1.49 percent in 2014. This decline has corresponded with a 45 percent drop in the defense share of the government budget from its peak in 2003–2005, to 2013. Similarly, Singapore also exhibited a slow decline in the defense share of the GDP from 5.4 to 3.3 percent from 1998 to 2014. In addition, the defense share of the government budget dipped 16.7 percent over the same time period. Still, as much as the trends for Malaysia and Singapore look alike, there are important differences. First, when considering defense spending as a share of GDP, Singapore has maintained its commitment to a 6 percent of GDP spending cap that remains available should contingencies arise. By contrast, the Malaysian government has not set such a target. Second, in terms of defense spending as a share of the government budget, Malaysia's allocation has decreased from 13 percent to 7 percent whilst Singapore's allocation has fluctuated in the 25 to 35 percent range—reflecting two very different levels of defense commitments. Meanwhile, Indonesia presents a different pattern of defense spending. Since the end of the EAFC, the defense spending has amounted to less than 1 percent of the GDP and has never exceeded 5 percent of the entire government budget. Finally, Indonesia is also unique with respect to its practice of self-funding and external loans, both of which the government has tried to stamp out.

In all, hypothesis one is strongly supported by empirical evidence that illustrates how the availability of resources is a strong driving factor for arms procurement in the three countries studied. Indeed, if the region failed to recover from the EAFC, none of the arms procurement trends observed could have occurred in the same manner.

2. Domestic Politics

The study of resource availability required the analysis of how the governments allocated monies for defense, highlighting the role of domestic politics in defining how the resources of the countries were allocated. Quite clearly, domestic politics was a complex factor because how it manifested in relation to the defense procurement process varied significantly across the three countries. Domestic politics was also multifaceted, as illustrated by the three themes of political contestation for budget allocation, corruption, and the desire for regional prestige, given the relevance of these factors in Southeast Asia.

For Singapore, although only budget contestation was relevant, it was highly influential in maintaining the focused priority for defense through a generous 6 percent GDP cap. This high spending cap reflects the continued political will to ensure that the SAF remains capable enough to ensure Singapore's strategic space in the region, built upon a fused civilian-military complex that planned long-term military procurements with the assurance of political support. Meanwhile, for Malaysia, although the civilian establishment similarly dominates the MAF, there is greater obfuscation of the procurement process due to the prevalence of corruption. Corruption persists due to middlemen seeking kickbacks, inflating the prices of armaments, and possibly crowding out other types of procurements. Even though the desire for national prestige encouraged procurement of particular types of sophisticated hardware like submarines, political contestation from other national needs has also reduced the level of military expenditure in the past few years. Finally, declining public support for the ruling coalition, or Barisan Nasional, reduces the government's room for maneuver and makes it careful to select politically advantageous procurements.

Domestic politics plays a large role in affecting arms procurement in Indonesia as it regards itself to be best-positioned to lead Southeast Asia and the retention of political influence by the TNI. Political contestation over government funds has been shown to be especially strong in Indonesia, exemplified by the contest between the TNI and the POLRI, as well as other social demands. Corruption is prevalent too, substantiated by Transparency International's assessment, and the evidence of recent procurements that

are still tainted with allegations of irregularities. Finally, the desire for national prestige is also accentuated in Indonesia's case because of its inherent size and ambitions to be a regional leader. Thus, the maintenance of territorial integrity and the lure of symbolic acquisitions also drive arms procurement efforts.

In all, hypothesis two has been supported by relatively strong evidence, such that domestic politics can be considered to be a strong driving factor in Southeast Asia, even though it works in varied ways across the three countries. It is argued that the domestic politics variable has the strongest effects in Indonesia and Singapore, and weakest in Malaysia. In particular, domestic politics is clearly instrumental in determining how available resources are directed towards arms acquisition efforts.

3. External Threats

The need to defend against external threats is perhaps the most commonly accepted rationale for arms procurement by states, but this research has demonstrated that such external threats have not been a strong driver of arms procurement in these three countries. Among the three nations, it is Singapore that comes closest to be considered as conducting arms procurement in response to external threats. However, the distinction to note here is that while Singapore has built up its military for the purpose of deterring potential aggressors—including its neighbors—this strategy of deterrence is rooted in a chronic sense of vulnerability, and not the perception of specific external threats. Hence, as much as Singapore has invested heavily in the SAF to build strategic space for its leaders, the driving logic has been one of vulnerability, originating from its inherent lack of strategic depth. Beyond the immediate neighborhood, China does not feature prominently in Singapore's defense calculus insofar as Singapore finds it more effective to use diplomacy and defense relations to shape its extra-regional environment to be stable, secure, and conducive for economic growth.

In contrast to tiny Singapore, Indonesia's perspective about external threats differs substantially. First, Indonesia's threat perception is weighted towards extra-regional threats originating from China and the related SCS dispute, and it is with respect to extra-regional threats that arms procurements have been initiated. Indonesia's foremost

concern remains the implications of China's "nine-dashed lines" claim with respect to the EEZ and the gas fields off the Natunas. This concern has resulted in steps being taken to strengthen the TNI presence on the Natunas and sustained support for the procurement of naval capabilities in 2012 to 2013. Second, although Indonesia is involved in intra-regional disputes and periods of tension, the evidence has not suggested any causal link to arms procurement. Finally, Malaysia's threat perception is similar to that of Indonesia as both countries view extra-regional threats to be more significant than intra-regional threats. This may seem unsurprising as Malaysia is the only SCS dispute claimant amongst the countries studied, but the reality is that Malaysia has only recently begun to shift away from its accommodative tone towards Beijing, exemplified by Chief of MAF General Zulkifeli bin Mohd Zin's public comment about China's "unwarranted provocation [in] the SCS."³¹⁹ Besides more aggressive diplomacy and military deployments, Malaysia has yet to embark on arms procurement measures, but this could well change if Beijing does not change its tack. Meanwhile, intra-regional security concerns that have centered on territorial disputes have not driven arms acquisitions by Kuala Lumpur.

Therefore, this thesis has found very little evidence to support hypothesis three. In short, external threats have not been a strong driver for arms procurement in Southeast Asia, as it is only in limited situations where threats have been shown to drive arms acquisitions. Furthermore, it is highlighted that the limited situations where external threats might be relevant to arms procurement have been with respect to extra-regional threats from China. This situation also reflects the relatively benign security environment that is enjoyed by countries in Southeast Asia, founded upon a stable balance of power and healthy economic growth.

4. Force Modernization

If building against external threats were considered to be the most conventionally accepted rationale for arms procurement, then force modernization would be the next

³¹⁹ Ben Blancard, "Malaysia Slams China's 'Provocation' in the South China Sea," *Reuters*, October 18, 2015, <http://uk.reuters.com/article/2015/10/18/uk-malaysia-southchinasea-china-idUKKCN0SC06420151018>.

most likely reason. This research, however, again draws a counter-intuitive conclusion where force modernization is only a moderate driving factor for arms acquisition across Southeast Asia. To a certain extent, this finding is shaped by the definition of force modernization adopted in this thesis, which focuses on situations where states seek to modernize purely for obsolescence management or for adopting a new capability, without being conflated with wider security threats.

Based on this strict definition, while Malaysia and Indonesia have been observed to acquire arms to replace obsolete equipment, this factor is still not considered to be very strong. For Malaysia, although there were instances where platforms were purchased to successfully replace older systems, the MiG-29 replacement was highlighted as a case where the drive to replace obsolete systems did not always result in arms procurement efforts. As for Indonesia, there exists a strong groundswell of support for procuring newer platforms to replace old ones, and there have been prudent efforts to address these concerns through the MEF plan. However, the strength of force modernization as a driving factor for Indonesian arms procurement is diluted by the undeniable presence of other factors like domestic politics and threat perceptions, as well as instances where ad-hoc procurements resulted in incomplete systems without critical combat components. Indeed, in such instances, the natural question is then what were the real underlying reasons that these systems were bought?

Singapore thus takes the role of an outlier in this instance, as force modernization is driven less by a desire to replace obsolete equipment than to acquire newer capabilities. Force modernization is a critical aspect of its deterrence strategy, which requires strenuous efforts to chase the state-of-the-art in terms of military technology, so as to overcome inherent demographic challenges. Indeed, there are numerous examples of the SAF attaining modern capabilities—often the first in the region—and its unique participation in the JSF program underscores the commitment to maintain a modern SAF.

As such, the only evidence to support hypothesis four arises from the study of Singapore's force modernization only. On the whole, therefore, force modernization is assessed to be only a moderate driving factor for arms procurement in Southeast Asia.

5. Addressing the Research Question

In response to the question of what are the underlying reasons driving arms procurement in Southeast Asian countries, this research has come to the conclusion that the combination of resource availability and domestic politics provided the best causal explanation for the arms acquisition activities. Meanwhile, force modernization is a moderate factor that varies in importance from country to country. In making this conclusion, two further relevant observations are raised.

First, there is a preponderance of domestic factors as drivers of arms procurement in Southeast Asia. Instead of external drivers like intra-regional or extra-regional threats pushing the ASEAN states to acquire weapons, the evidence has pointed towards domestic factors like resource availability and domestic politics as the main drivers. Even for Singapore, the strength of the force modernization factor is founded upon domestic challenges such as the demographics of a small population and the geography of limited defensive depth. Second, the research is also in agreement with other analysts who stressed that the reasons for arms procurement in Southeast Asia are multifaceted and complex. Indeed, even amongst three countries that are so closely tied in history and geography, there is remarkable variance in how the factors present themselves in each case.

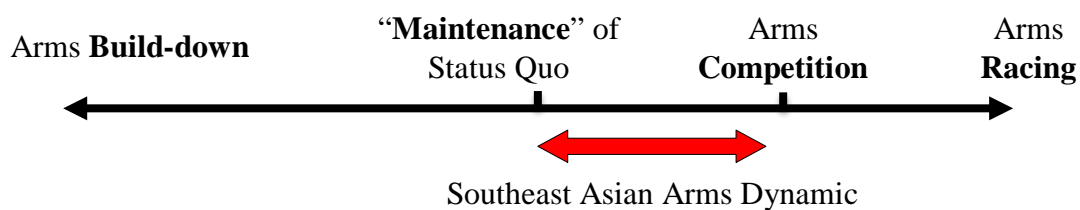
B. ARMS DYNAMIC CHARACTERIZATION

With a consolidated assessment of the underlying drivers of arms procurement since the EAFC, it becomes clear that there is no arms race amongst Malaysia, Indonesia, and Singapore. Besides the relevant points raised by scholars regarding the lack of intensity and lack of single-minded antagonistic relations, the research has shown that the drivers of arms procurement in these three countries have been predominantly based on domestic factors of resource availability and domestic politics. In other words, countries bought arms when they had enough in their coffers and when their political leadership decided to do so. With such a causal mechanism directing the acquisition of arms, it is inherently not possible for an arms race to occur as the causal pathway does not hinge on external stimuli. This is distinct from the classic arms race between the British and

German navies prior to World War I, where both parties were intentionally improving their military capabilities in direct and reciprocal competition with each other. The centrality of domestic drivers for arms procurement in the three countries underscores how the findings of this thesis cannot easily be extrapolated to the rest of Southeast Asia. For the larger region, more detailed studies of the domestic and external drivers for each country would be needed to make broader assessments about the arms dynamic in Southeast Asia.

With the lack of evidence for the existence of an arms race amongst the three countries, is the increased military spending in the region best characterized as the “maintenance of the military status quo,” or an “arms competition?”³²⁰ A quick recall of Chapter I defines “maintenance” as efforts that simply preserve the current balance of power, whereas the “arms competition” denotes cases where potential adversaries “chip away at the status quo and constantly seek to improve their position, although having no confidence in gaining a decisive advantage.”³²¹ It is thus submitted that the arms dynamic amongst the three countries is better described to be in a situation of “maintenance,” with occasional prestige-driven excursions to “arms competition.” This assessment is depicted in Figure 11, and it can be explained through two main points.

Figure 11. Characterization of Southeast Asian Arms Dynamic.



Adapted from Barry Buzan and Eric Herring, *The Arms Dynamic in World Politics* (Boulder, CO: Lynne Rienner, 1998), 79–81.

First, although all the countries have acquired more sophisticated arms that would improve their military capabilities, these improvements have been focused more at

³²⁰ Buzan and Herring, *The Arms Dynamic in World Politics*, 80.

³²¹ Ibid.

progressing from their current military technology level than “chip[ping] away at the status quo.”³²² To this end, the weakness of evidence for the external threat hypothesis reveals the absence of an obsession in these three countries with the military capabilities of their neighbors. In addition, the evidence that arms acquisitions have been driven by force modernization suggests that those acquisitions have been focused on obsolescence management, especially in Malaysia and Indonesia. Perhaps it is only Singapore’s focus on force modernization for deterrence that suggests an emphasis on extending its military capability edge within the region; but even then, Singapore’s 40 percent fall in military expenditure as a share of GDP since 1998 reveals that Singapore is not bent on a limitless expansion of its military lead. Indeed, this phenomenon accords with Buzan and Herring’s judgment that “if military expenditure is a constant or declining percentage of GNP, then one is probably observing maintenance.”³²³ Still, it is also naïve to imagine that the MAF, TNI, and the SAF do not use regional military capability levels as their benchmarks for deciding on the types of armaments to request, but the research has been quite clear that procuring arms to tip the regional balance in one’s favor has not been a driving motivation to embark on arms procurement. If that had been the primary motivation, then one would find the countries being driven towards a more aggressive arms dynamic.

Second, the arms dynamic has made excursions towards being an “arms competition” because of the desire for national prestige. Here, the regional rivalry expressed through the acquisition of sophisticated systems such as submarines, advanced fighter jets, and MBTs shows that the regional arms dynamic is not simply a plain form of maintenance. Still, this sub-factor, as discussed in the country-focused chapters, varies in strength across the countries and only in specific instances has been strong enough to shift the dynamic towards “arms competition.”

In contrast to this conclusion, Bitzinger actually considered the situation in Southeast Asia to be a case of ‘arms competition’ as the regional militaries have “added

³²² Buzan and Herring, *The Arms Dynamic in World Politics*, 80.

³²³ While Buzan and Herring studied the arms dynamic using GNP, this thesis has used GDP growth as a proxy for the economic growth of the countries. *Ibid.*, 89.

many capabilities that they did not possess earlier,” but he also conceded that the “numbers being procured do not seem to be in numbers large enough to seriously affect the regional balance of power,” with the possible exception of Singapore.³²⁴ Indeed, therein lies the conundrum at the heart of understanding the arms procurement trends in Southeast Asia. On the one hand, domestic factors have dominated the causal path responsible for directing and controlling the arms procurement activities, resulting in a cost-prudent and sustainable approach across the countries that more closely resembles “maintenance.” On the other hand, the high-profile acquisitions and the occasional prestige-driven procurements tend to paint a picture of “arms competition” that are not groundless themselves. It is therefore on this note that this thesis concludes that the most appropriate characterization of the arms dynamic in Southeast Asia is one of “maintenance,” with the occasional prestige-drive excursions toward an “arms competition.”

C. REGIONAL SECURITY IMPLICATIONS

Building upon a better understanding of the underlying drivers of arms procurement and the arms dynamic present among the three countries in Southeast Asia, two regional security implications are identified. On the one hand, the existing arms dynamic supports optimism for continued security in the region. On the other hand, an increased frequency of excursions towards an “arms competition” dynamic could be cause for concern.

1. Optimism for Continued Regional Stability

First, one can be optimistic about continued regional security because of the nature of the arms dynamic and the causal relationship for arms procurements in Southeast Asia. Indeed, the foremost concern that Malaysia, Indonesia, and Singapore are engaged in “arms racing” has already been relegated for lack of supporting evidence. As such, while these neighboring states will continue to deal with the bilateral and multilateral challenges that occasionally hamper their relations, their track record has not

³²⁴ Bitzinger, “A New Arms Race?” 63–65.

been to escalate tensions through arms procurements, which could fundamentally shift the arms dynamic beyond “maintenance” to a higher level of “arms competition.”

In the end, these three countries in Southeast Asia clearly intend to continue building their nations on the basis of strong economic growth and stable regional relations. Their priorities are reflected in their budget allocations, their practice of maintaining economic ties with China whilst increasing military responses to address their SCS claims, as well as their abiding commitment to the ASEAN process. Resource availability and domestic politics will continue to dictate the arms procurement of their militaries, and the resultant arms dynamic of “maintenance of the status quo” will be a reflection of their desire for stability.

2. Concern over Excursions toward Arms Competition

Still, there is cause for concern over the phenomenon of occasional excursions towards “arms competition” that occur due to the desire for regional prestige. If the desire for prestige has caused occasional excursions, what other conditions could increase the frequency of such excursions? As this thesis has underscored the centrality of domestic drivers for arms acquisitions in Southeast Asia, there should be focus on situations where changes in the availability of resources or the domestic political backdrop could drive excursions to “arms competition” dynamics.

In terms of resource availability, the evidence has been clear that procurements generally correlated with increased economic strength. In that light, a survey of the current economic trends would show that the global economic slow-down and depressed oil prices have taken their toll on the region, which had actually recovered strongly from the end of the EAFC till 2011. Indonesia suffered the most significant slow-down, with its GDP registering a relatively sharp 2.1 percent decline in 2014.³²⁵ As much as President Jokowi has struggled to implement “massive deregulation” of the economy to attract foreign investment, Indonesia economic growth was “at [it’s] slowest since 2009”

³²⁵ “World Bank Database,” World Bank, accessed October 25, 2015. <http://data.worldbank.org>.

and the rupiah had fallen 8 percent against the U.S. dollar in 2015.³²⁶ Meanwhile, Malaysia and Singapore's economies have also slowed down relative to the years before 2011, as indicated in the GDP data of Figures 3 and 9. Therefore, with such an economic backdrop, the availability of resources for arms acquisitions would likely be reduced. This reduces the possibility of increased excursions to more competitive arms dynamics.

In terms of domestic politics, it is argued that the concern is less about contestation of budget allocation, corruption, or the desire for regional prestige. Instead, the issue relates to the strength of the governments in power. Domestic politics have become more adversarial in all the three Southeast Asian nations, with the current leaders less influential than their "larger-than-life" predecessors like Suharto, Mahathir, or Lee Kuan Yew. Malaysia, in particular, has exhibited an accentuated display of ethnic politics with greater turmoil.³²⁷ Meanwhile, President Jokowi in Indonesia has also suffered a "rocky" start to his Presidency, hampered by his weakness relative to established domestic political elites.³²⁸ In Singapore, despite the strong swing of votes back to the ruling People's Action Party in its recent election, it is clear that a new norm of political contestation has been developed and "pendulum [could] indeed swing back."³²⁹ In such conditions, the concern is that leaders that are under pressure could resort to nationalistic cards to stir up support, presenting opportunities for regional conflicts to escalate more than they have been allowed to thus far. Hence, between the availability of resources and domestic politics, it is submitted that current trends in domestic politics demand more scrutiny as there exists possible scenarios where nationalistic appeals by different states can create more excursions to the realm of "arms competition."

³²⁶ "Indonesia's Economy: The Unstimulating Stimulus," *The Economist*, October 17, 2015, <http://www.economist.com/news/finance-and-economics/21674794-jokowi-administration-tinkers-margins-unstimulating-stimulus>.

³²⁷ Prashanth Parameswaran, "Interview: Malaysia's Political Turmoil and the Role of the United States," *The Diplomat*, September 21, 2015, <http://thediplomat.com/2015/09/interview-malysias-political-turmoil-and-the-role-of-the-united-states/>.

³²⁸ Sam Reeves, "Rocky First Year for 'Weak' Jokowi," *AsiaOne*, October 23, 2015, <http://news.asiaone.com/news/asia/rocky-first-year-weak-jokowi>.

³²⁹ Bridget Welsh, "Singapore Swing," *New Mandala*, September 12, 2015, <http://asiapacific.anu.edu.au/newmandala/2015/09/12/singapore-swing/>.

In all, the current arms dynamic amongst Malaysia, Indonesia, and Singapore provides a stable foundation upon which trade and regional cooperation through ASEAN has been sustained. Still, the future evolution of the arms dynamic is uncertain, in light of the optimism related to the current state of stability and the possible trajectories arising from the increasingly adversarial domestic political situations. On the one hand, it is clear that stability is better maintained if the countries set aside their differences and historical grievances to focus on forward-looking development and cooperation. On the other hand, the need to shore up domestic political support may drive leaders to exploit these very differences and historical grievances. Indeed, the stability founded upon “arms maintenance” should not be taken for granted, so as to prevent the occasional excursions to the “arms competition” from becoming more frequent. This is a caution that leaders of Southeast Asia should pay attention to prevent more frequent excursions of the arms dynamic that would essentially spell a permanent shift towards “arms competitions.”

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